

## **IMPORTANT INFORMATION – PLEASE READ**

### **THIS BOOKLET CONTAINS IMPORTANT INFORMATION ABOUT:**

- (1) A PROPOSED DEMUTUALIZATION OF SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC. AND THE ACQUISITION OF THE COMPANY BY PROSPERITY LIFE INSURANCE GROUP, LLC;**
- (2) HOW THAT DEMUTUALIZATION WOULD AFFECT POLICYHOLDERS LIKE YOU; AND**
- (3) HOW YOU CAN VOTE FOR OR AGAINST THE PROPOSED DEMUTUALIZATION.**

This booklet describes a proposed demutualization of SBLI USA Mutual Life Insurance Company, Inc. (“**SBLI USA**”) and acquisition of SBLI USA by Prosperity Life Insurance Group, LLC (“**Prosperity**”). If consummated, the transaction would convert SBLI USA from a mutual insurance company that is owned and operated for the benefit of policyholders like you into a stock insurance company that is owned by Prosperity. This process is known as a sponsored demutualization.

If the proposed demutualization is completed, policyholders will surrender their ownership interests in SBLI USA. These interests are known as membership interests (“**Membership Interests**”), and they provide policyholders with the right to vote on matters submitted to a vote of members and the right to participate in any distribution of surplus in the unlikely event of a liquidation of SBLI USA. In exchange for surrendering their Membership Interests in SBLI USA, eligible policyholders (as defined in this booklet) will receive a total payment of \$36 million. This amount will be distributed equally, with each eligible policyholder of SBLI USA receiving approximately \$190.00. The actual amount paid to each eligible policyholder may be higher or lower, however, depending on the number of eligible policyholders.

Other than the surrender of policyholders’ Membership Interests, the proposed demutualization will have little effect on policyholders’ interests. The demutualization will have no effect on the policies of SBLI USA policyholders: it will not increase premiums or contributions, and it will not diminish the benefits, values (such as loan values, cash values and paid up insurance values), policy guarantees or dividend eligibility. For most policyholders who receive or are eligible to receive a dividend, an accounting mechanism known as a “Closed Block” will be established. The Closed Block will be funded with assets expected to be sufficient to continue paying the dividend scale in effect in 2013 if the experience (including the investment performance) of the policies in the Closed Block is similar to the experience used to establish the 2013 dividend scale. However, the Closed Block does not guarantee a continuation of the dividend scale. If over time the experience of the Closed Block is more favorable than the assumptions underlying the dividend scale in effect in 2013, total dividend payments will be higher. If over time the experience of the Closed Block is less favorable than the assumptions underlying that dividend scale, total dividend payments will be lower. In the current market, rates of return on investments are lower than the investment earnings rate underlying the dividend scale in effect in 2013.

The proposed demutualization is the product of a long-running review of SBLI USA’s financial condition by the SBLI USA board of directors. The board of directors has been concerned that SBLI USA lacked the capital to compete effectively as a stand-alone mutual life insurance company. The board of directors has weighed various alternatives to improve SBLI USA’s capital and competitive position and considers the sponsored demutualization proposed by Prosperity to be the best offer received. After concluding that the proposed demutualization is fair and equitable to policyholders, SBLI USA’s board of directors unanimously approved the plan of demutualization as of July 8, 2014.

Even though the SBLI USA board of directors voted to approve the proposed demutualization, the transaction will not be completed unless it is approved by the New York State Superintendent of Financial

Services and approved by a vote of at least two-thirds of the policyholders who vote on the proposed demutualization.

As a policyholder of SBLI USA with Membership Interests, you are eligible to vote for or against the proposed demutualization. This document provides a brief overview of the proposed demutualization. The booklet that follows – which includes key transaction documents – provides you with detailed information about how the proposed demutualization will affect your interests in SBLI USA. In it you will find:

- a glossary of key terms used in the booklet (page 1);
- questions and answers about the proposed demutualization and vote (page 3);
- a background of the proposed demutualization, including the alternatives considered by the board of directors, the board's reasons for approving the demutualization and its recommendation to policyholders (page 13);
- a summary of the plan of reorganization, which is the legal document to effectuate the proposed demutualization (page 16);
- an explanation of the policyholder vote to approve the proposed demutualization and the related transactions, including the rules governing the eligibility of policyholders to vote (page 21);
- a summary of the rules governing the eligibility of policyholders to receive consideration (page 21);
- a description of the cash payment to be made to eligible policyholders (page 18);
- a description of the Closed Block (page 18);
- a summary of the agreement regarding the acquisition of SBLI USA by Prosperity through a merger transaction (page 24);
- a summary of the opinion of Sherman & Company, SBLI USA's financial adviser, delivered to the board of directors, as to the fairness, from a financial point of view, of the consideration to be received by the policyholders of SBLI USA (page 30);
- summaries of the opinions of Marc Slutzky of Milliman, Inc., SBLI USA's actuarial adviser, delivered to the board of directors, as to (1) the fairness, from an actuarial point of view, of the allocation of consideration to be received by the eligible policyholders in connection with the sponsored demutualization and (2) the establishment and funding of the Closed Block (page 36);
- a summary of material U.S. Federal income tax consequences of the proposed demutualization (page 41); and
- a summary of the regulatory approvals required to implement the proposed demutualization, including the public hearing before the Superintendent of Financial Services of the State of New York (page 43).

Reading this summary and the information contained in the attached booklet will allow you to make an informed choice as to whether to vote for or against the proposal. We encourage you to read this booklet, familiarize yourself with its contents and, most importantly, vote on or before August 28, 2014. **Your vote is extremely important.**

**If you have any questions about the proposed demutualization or need assistance voting, please call our Demutualization Information Center at 1-866-390-3665 from 10 a.m. to 3 p.m., Eastern Time, Monday through Friday until August 28, 2014.**

**SBLI USA Mutual Life Insurance Company, Inc.**

**Policyholder Information Booklet**

July 18, 2014

**SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC.**

460 West 34th Street, Suite 800

New York, New York 10001

**NOTICE OF POLICYHOLDER VOTE  
FOR APPROVAL OF THE PLAN AND RELATED TRANSACTIONS**

July 18, 2014

NOTICE IS HEREBY GIVEN THAT a vote of policyholders of SBLI USA Mutual Life Insurance Company, Inc., a New York mutual life insurance company (“**SBLI USA**”), on a proposed Plan of Reorganization (the “**Plan**”) and the transactions contemplated by the Plan and the Amended and Restated Merger Agreement, dated November 27, 2013 (the “**Merger Agreement**”), among Prosperity Life Insurance Group, LLC, SBLI USA Acquisition LLC, SBLI USA and SBLI USA Holdings, LLC, will take place on August 28, 2014. The full text of the Plan is set forth as Annex A to this policyholder information booklet.

A ballot for casting your vote on the proposal accompanies this Notice. Your vote may be cast by mail or in person. You may also appoint a proxy agent to vote on your behalf. If you need instructions regarding appointing a proxy agent, please call our Demutualization Information Center toll free at 1-866-390-3665 from 10 a.m. to 3 p.m., Eastern Time, Monday through Friday until August 28, 2014. Your ballot is to be marked with a vote either “YES”, for approval of the Plan and the transactions contemplated by the Plan and the Merger Agreement, or “NO”, against approval of the Plan and the transactions contemplated by the Plan and the Merger Agreement. An unmarked ballot or a ballot showing a vote both “YES” and “NO” will not count as a vote cast.

The board of directors has unanimously approved and adopted the Plan and the transactions contemplated by the Plan and the Merger Agreement. The board of directors believes the Plan is in the best interests of SBLI USA and its policyholders.

**PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED BALLOT AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE AS SOON AS POSSIBLE. YOU MAY ALSO CAST YOUR VOTE IN PERSON AT THE OFFICES OF SBLI USA ON AUGUST 28, 2014.**

Mailed ballots, including those cast by a proxy agent, must be received at the address set forth on the envelope (ASTFS Proxy Services, P.O. Box 296, Lyndhurst, NJ 07071-9938) by 4:00 p.m., Eastern Time, on August 28, 2014. Policyholders who want to cast their ballots in person may do so at the headquarters of SBLI USA, 460 West 34th Street, Suite 800, New York, New York 10001, from 10 a.m. to 4 p.m., Eastern Time, on August 28, 2014. If your ballot has been lost or damaged, you may request a new ballot by calling our Demutualization Information Center toll free at 1-866-390-3665 from 10 a.m. to 3 p.m., Eastern Time, Monday through Friday until August 28, 2014.

NOTICE OF PUBLIC HEARING  
ON PLAN OF REORGANIZATION  
TO CONVERT FROM A MUTUAL COMPANY TO A STOCK COMPANY

July 18, 2014

A public hearing has been scheduled by the Superintendent of Financial Services of the State of New York (the “**Superintendent**”), pursuant to Section 7312 of the New York Insurance Law, to consider the Plan of Reorganization (the “**Plan**”) adopted by the board of directors of SBLI USA Mutual Life Insurance Company, Inc. (“**SBLI USA**”) on August 21, 2014.

THE PUBLIC HEARING WILL BE HELD AT ONE STATE STREET, NEW YORK, NY 10004, BEGINNING AT 10:00 A.M., EASTERN TIME, ON AUGUST 21, 2014.

The Plan is described in the policyholder information booklet and a copy of the Plan and certain exhibits and summaries of other exhibits and the schedules to the Plan are also included in the policyholder information booklet. From the date of this notice until the date on which the policyholders vote to approve the Plan and the transactions contemplated by the Plan and the Merger Agreement, a copy of the Plan, with all of its exhibits and schedules, may be examined by any policyholder at the offices of SBLI USA, 460 West 34th Street, Suite 800, New York, New York, between 10:00 a.m. and 3:00 p.m., Eastern Time, Monday through Friday, except days on which SBLI USA is closed for business. Anyone wishing to examine the Plan at the offices of SBLI USA must do so by calling the SBLI USA Demutualization Information Center toll free at 1-866-390-3665 from 10 a.m. to 3 p.m., Eastern Time, Monday through Friday until August 28, 2014, to arrange an appointment.

The Superintendent is required by law to hold this public hearing upon the fairness of the terms and conditions of the Plan, the reasons and purposes for the demutualization and whether the demutualization is in the interest of SBLI USA and its policyholders and not detrimental to the public. The consummation of the Plan is subject to the Superintendent’s approval. The New York Insurance Law requires the Superintendent to approve the Plan if he finds that the demutualization, in whole or in part, does not violate the New York Insurance Law, is fair and equitable to policyholders and is not detrimental to the public and that, after giving effect to the demutualization, SBLI USA will have an amount of capital and surplus the Superintendent deems to be reasonably necessary for its future solvency. The New York Insurance Law requires the Superintendent to approve or disapprove the Plan on or before 60 days after the conclusion of the public hearing.

Any person wishing to make an oral statement at the public hearing should register by writing to the New York State Department of Financial Services, Public Affairs Office – SBLI USA Demutualization, One State Street, New York, NY 10004, or emailing [public-affairs@dfs.ny.gov](mailto:public-affairs@dfs.ny.gov). Any written testimony may be submitted at the above address on or before September 4, 2014.

The location for the hearing is reasonably accessible to persons with a mobility impairment. Interpreter services will be made available to deaf persons, at no charge, upon written request submitted within a reasonable time prior to the public hearing. The written request should be submitted at the above address.

## TABLE OF CONTENTS

	<u>Page</u>
Notice of Policyholder Vote .....	i
Notice of Public Hearing .....	ii
Glossary of Key Terms .....	1
Questions and Answers About the Sponsored Demutualization and the Vote .....	3
Cautionary Statement Concerning Forward-Looking Information .....	10
Summary Financial Information .....	11
Parties to the Sponsored Demutualization .....	11
The Sponsored Demutualization .....	13
Principal Terms of the Sponsored Demutualization and the Plan .....	16
Eligibility to Vote and Receive Policyholder Consideration .....	21
Principal Terms of the Merger Agreement .....	24
Opinions of Financial Adviser and Actuaries .....	30
Certain Considerations Relating to the Sponsored Demutualization .....	39
U.S. Federal Income Tax Considerations .....	41
Interests of Certain Persons in the Sponsored Demutualization .....	42
Required Approvals .....	43
Available Information .....	44
Incorporation of Certain Documents by Reference .....	44
Annex A - Plan of Reorganization	
Annex B - Exhibits and Summaries of Exhibits to the Plan of Reorganization	
Exhibit A – Form of Amended and Restated Charter of SBLI USA Life Insurance Company, Inc.	
Exhibit B – Form of the Certificate of Amendment to Amended and Restated Charter of SBLI USA Life Insurance Company, Inc. Following the Redemption	
Exhibit C – Form of Amended and Restated By-Laws of SBLI USA Life Insurance Company, Inc.	
Exhibit D – Summary of Closed Block Business	
Exhibit E – Summary of Plan of Operations and Ten-Year Projections	
Exhibit F – Summary of Form of Tax Opinion	
Schedule 1 – Summary of Merger Agreement	
Schedule 2 – Summary of Closed Block Memorandum	
Annex C - Fairness Opinion, dated as of November 22, 2013, of Sherman & Company	
Annex D - Actuarial Opinion with respect to Closed Block, dated as of July 8, 2014, of Marc Slutzky of Milliman, Inc.	
Annex E - Actuarial Opinion with respect to Allocation of Consideration, dated as of July 8, 2014, of Marc Slutzky of Milliman, Inc.	

## GLOSSARY OF KEY TERMS

The following are brief explanations of certain terms used in this policyholder information booklet. For a complete definition of certain of these terms, please see the Plan.

<b>Term</b>	<b>Definition</b>
<b>Acquisition LLC</b>	SBLI USA Acquisition LLC, a subsidiary of Prosperity, that was formed for the purpose of merging with Holdco and becoming the parent company of SBLI USA.
<b>Black Diamond</b>	Black Diamond Holdings, LLC.
<b>Closed Block</b>	The Closed Block is an accounting mechanism. Certain assets and Policies will be allocated to the Closed Block pursuant to the Plan. The Closed Block Policies include traditional dividend-paying individual life insurance Policies that were issued by SBLI USA before the Plan Effective Date and are In Force on or after the Plan Effective Date. The objective of the Closed Block is to provide reasonable assurances to owners of Policies included in the Closed Block that the assets allocated to the Closed Block will be an amount that produces cash flows which, together with anticipated revenue from the Policies in the Closed Block, are expected to be sufficient to support such business including, but not limited to, provisions for payments of claims, certain expenses and taxes associated with the Closed Block business and to provide for the continuation of 2013 dividend scales, if the experience underlying such dividend scales continues, and for appropriate adjustments in such dividend scales if that experience changes. In the current market, rates of return on investments are lower than the investment earnings rate underlying the dividend scale in effect in 2013.
<b>Closed Block Assets</b>	SBLI USA's assets that are allocated to the Closed Block as of September 30, 2012, as are described in Exhibit D to the Plan and the Closed Block Memorandum.
<b>Closed Block Business</b>	The Closed Block Policies.
<b>Closed Block Calculation Date</b>	September 30, 2012
<b>Closed Block Memorandum</b>	The memorandum attached as Schedule 2 to the Plan which sets forth the terms of the Closed Block.
<b>Closed Block Policies</b>	Traditional dividend-paying individual ordinary life insurance Policies, consisting of individual whole life Policies, limited payment whole life insurance Policies, endowment life insurance Policies, senior life Policies, single premium whole life Policies, endowment Policies, retirement income Policies, family plan Policies and life insurance Policies in effect under a nonforfeiture option, in each case with an experience-based dividend scale, which were issued by SBLI USA (x) before the Plan Effective Date and In Force on any date on or after the Plan Effective Date or (y) before the Plan Effective Date and eligible on the Plan Effective Date to be reinstated to a dividend-paying policy, in each case together with all riders (whenever issued), additional benefit provisions, dividend accumulations and options with respect to such life insurance Policies. Whole life Policies issued as a conversion from term insurance will be included in the Closed Block if converted before the Plan Effective Date and will be excluded if converted on or after the Plan Effective Date.
<b>Code</b>	The Internal Revenue Code of 1986, as amended.
<b>Department</b>	The New York State Department of Financial Services.
<b>Eligible Policyholders</b>	All Policyholders who are on the Plan Adoption Date the Owners of one or more Policies which are then In Force and which remain In Force on the Plan Effective Date. Policyholders holding only policies issued by any subsidiary of SBLI USA shall not be Eligible Policyholders.

<b>Term</b>	<b>Definition</b>
<b>Excluded Policies</b>	The Policies excluded from the Closed Block are generally those for which the Policyholder has no expectation of a payment of dividends with respect to the Policy or for which the Policyholder was eligible to receive dividends but the dividend payments with respect to the Policy did not vary based upon the underlying experience of the Policy.
<b>Holdco</b>	SBLI USA Holdings, LLC, a subsidiary of SBLI USA, that was formed solely for the purpose of effectuating the sponsored demutualization.
<b>In Force</b>	Whether your Policy is “in force” is determined based on the Company Records. In general, your Policy is In Force as of any date if, as shown on the Company Records on such date, the Policy Date of such Policy occurs on or prior to such date, and as of such date the required premium has been received by SBLI USA and such Policy, as shown on the Company Records on such date, has not matured by death or otherwise or been surrendered or terminated.
<b>IRS</b>	Internal Revenue Service.
<b>Membership Interests</b>	All the rights and interests of a Policyholder (including an Eligible Policyholder) arising under: (1) our Charter and By-Laws or (2) law or otherwise, including under the Plan, which rights and interests include, but are not limited to, the right to vote on matters submitted to a vote of members (such as the election of directors) and the right to participate in any distribution of surplus in the unlikely event of a liquidation.
<b>Merger</b>	Holdco’s merger with and into Acquisition LLC, a subsidiary of Prosperity, with Acquisition LLC being the surviving company, resulting in SBLI USA becoming a wholly owned subsidiary of Acquisition LLC.
<b>Merger Agreement</b>	The Amended and Restated Merger Agreement dated November 27, 2013 among SBLI USA, Prosperity, Holdco and Acquisition LLC.
<b>Owner</b>	In general, the “Owner” of an individual insurance policy or annuity contract is the Person specified in the policy or contract as the owner or contract holder, unless no owner or contract holder is so specified, in which case (1) the Owner of a Policy that is an individual policy of life insurance or of accident and health insurance shall be deemed to be the Person insured, if such Policy was issued upon the application of such Person, or the Person who effectuated such Policy, if such Policy was issued on the application of a Person other than the Person insured, and (2) the Owner of a Policy that is an annuity or pure endowment contract shall be deemed to be the Person to whom such Policy is payable by its terms, exclusive of any beneficiaries, contingent owners or contingent payees.
<b>Paying Agent</b>	American Stock Transfer and Trust, LLC.
<b>Person</b>	Means any natural person, corporation, limited liability company, limited liability partnership, joint venture, general or limited partnership, association, trust, trustee, unincorporated entity, organization or government or any department or agency thereof. A Person who is the Owner of Policies in more than one legal capacity (e.g., a trustee under separate trusts) shall be deemed to be a separate Person in each such capacity.
<b>Plan</b>	The Plan of Reorganization of SBLI USA dated as of July 8, 2014 (including all its exhibits and schedules), as originally adopted and as may be from time to time amended, supplemented or modified. The Plan is the legal document that governs our demutualization. A copy of the Plan, with the schedules and exhibits thereto in summary or full form, as indicated, is included in Annex A.
<b>Plan Adoption Date</b>	July 8, 2014, the date as of which the Plan was adopted by the board of directors of SBLI USA.
<b>Plan Effective Date</b>	The date the Plan becomes effective.
<b>Policy</b>	A policy issued by SBLI USA, as defined in the Plan.

<b>Term</b>	<b>Definition</b>
<b>Policy Date</b>	With respect to any Policy, the date specified in such Policy as the date such Policy commences.
<b>Policyholder</b>	A Person who, on the Plan Adoption Date, was an Owner of one or more Policies issued by SBLI USA.
<b>Policyholder Consideration</b>	\$36 million of cash consideration to be distributed by the Paying Agent to Eligible Policyholders as provided in the Plan. The \$36 million of cash consideration is comprised of \$7.5 million of proceeds from the Redemption and the \$28.5 million of proceeds from the Merger.
<b>Prosperity</b>	Prosperity Life Insurance Group, LLC.
<b>Redemption</b>	The redemption by Holdco of \$7.5 million of its limited liability company interests held by the Paying Agent for the benefit of the Eligible Policyholders.
<b>Reservoir</b>	Reservoir Capital Group, L.L.C.
<b>SBLI USA</b>	SBLI USA Mutual Life Insurance Company, Inc.
<b>Shenandoah</b>	Shenandoah Life Insurance Company, a Virginia domiciled life and annuity insurance company, currently owned by Prosperity.
<b>Superintendent</b>	The Superintendent of Financial Services of the State of New York.

## QUESTIONS AND ANSWERS ABOUT THE SPONSORED DEMUTUALIZATION AND THE VOTE

*Any references to “we” or “us” refer to SBLI USA Mutual Life Insurance Company, Inc. (“SBLI USA”), unless the context otherwise requires or indicates. This policyholder information booklet has been sent to you because you are a policyholder of SBLI USA. You are a policyholder (a “Policyholder”) because you were, on July 8, 2014, the date as of which the Plan of Reorganization of SBLI USA (the “Plan”) was adopted by the board of directors (the “Plan Adoption Date”), an owner of one or more policies (as defined in the Plan, each a “Policy”) issued by SBLI USA.*

### Questions and Answers About the Sponsored Demutualization

**Q. What is a sponsored demutualization?**

A. SBLI USA, as a mutual insurance company, is currently owned and operated for the benefit of its policyholders. Policyholders’ ownership interests in SBLI USA are known as their “Membership Interests.” These Membership Interests include the right to vote on matters submitted to a vote of members (such as the election of directors) and the right to participate in any distribution of surplus in the unlikely event of a liquidation.

Demutualization is the process by which a mutual insurance company converts from a company that is owned and operated for the benefit of its policyholders into a stock insurance company that is owned by its shareholders. In a sponsored demutualization, the stock of the converted mutual is acquired by a sponsor. Prosperity Life Insurance Group, LLC (“**Prosperity**”) is the sponsor of the proposed demutualization of SBLI USA. If the proposed demutualization of SBLI USA is approved by both Policyholders and the New York State Department of Financial Services (the “**Department**”), and the conditions are satisfied or waived in accordance with the Plan, all Membership Interests of Policyholders will be extinguished and Prosperity will become the sole owner of SBLI USA. In exchange for the extinguishment of their Membership Interests, Eligible Policyholders will receive, in total, \$36 million of cash consideration (the “**Policyholder Consideration**”). The Policyholder Consideration will be allocated equally among Eligible Policyholders. Your Membership Interest is derived from the fact that you are an Owner of a Policy issued by SBLI USA. Your eligibility to vote on the Plan and your eligibility to receive consideration pursuant to the Plan is based on your Policy having been In Force on the Plan Adoption Date and, in the case of consideration, also on the date the Plan becomes effective (the “**Plan Effective Date**”). Consideration will be paid to all Policyholders who are on the Plan Adoption Date the Owner of one or more Policies which are then In Force and which remain In Force on the Plan Effective Date (such Policyholders are called “**Eligible Policyholders**”). Policyholders holding only policies issued by any subsidiary of SBLI USA shall not be Eligible Policyholders. We estimate each Eligible Policyholder will be entitled to receive approximately \$190.00. The actual amount paid to each Eligible Policyholder may be higher or lower, however, depending on the number of Eligible Policyholders.

**Q. What other alternatives did the SBLI USA board of directors consider?**

A. Between 2004 and 2010, SBLI USA engaged four financial advisers to gauge interest from third parties in a potential investment in or business combination transaction with SBLI USA. The first three financial advisers contacted more than 35 counterparties, but none of these contacts resulted in a transaction. SBLI USA then engaged its fourth financial adviser in September 2010 to evaluate four proposals about potential business combination transactions, but none of the proposals passed the preliminary stage. The financial adviser then contacted ten parties in March and April 2011 about a possible business combination transaction. Only one party proposed a transaction, but SBLI USA and the counterparty could not reach an agreement on key terms.

**Q. Why is SBLI USA demutualizing?**

A. The board of directors does not believe that SBLI USA, as a stand-alone mutual life insurance company, has sufficient scale or access to capital to compete effectively. The board of directors considered other options available to remain competitive and independent, such as organic growth, growth through acquisitions and capital raising alternatives to fund growth. In addition, the board of directors considered affiliation with parties other than Prosperity, including a sponsored demutualization or a merger with another mutual company. Organic growth and growth through acquisitions did not appear feasible, given the amount of capital that would be required. Thus, the board of directors believed that a sponsored demutualization was necessary to secure the long term viability of SBLI USA. After careful consideration, the board of directors unanimously determined that the proposed sponsored demutualization is in the best interests of SBLI USA and its Policyholders. For more information regarding the factors the board of directors considered in making its determination, see *“The Sponsored Demutualization - Reasons for the Proposed Sponsored Demutualization and Considerations of the Board of Directors; Recommendation of the Board of Directors.”*

**Q. What factors did the SBLI USA board of directors consider in concluding that the proposed sponsored demutualization is fair and equitable to policyholders?**

A. The New York Insurance Law governing the proposed sponsored demutualization requires that the board of a mutual company only approve a proposed demutualization if it is fair and equitable to policyholders. In determining that the Plan was fair and equitable to Policyholders, the board of directors considered a number of factors, including the opinion of Sherman & Company as to the fairness, from a financial point of view, of the consideration to be received by the policyholders of SBLI USA and the opinions of Marc Slutzky of Milliman, Inc. as to the fairness, from an actuarial point of view, of the allocation of consideration to be received by eligible policyholders and the establishment and funding of the mechanism (known as the **“Closed Block”**) established to protect the reasonable dividend expectations of owners of SBLI USA’s traditional dividend paying individual life insurance policies.

**Q. Will the sponsored demutualization change my Membership Interest?**

A. Yes. Members of a mutual insurance company have certain rights and interests that give rise to the right to vote on various matters (including certain extraordinary transactions, such as a demutualization, and the election of directors). In a demutualization, Membership Interests are extinguished in exchange for consideration. If the sponsored demutualization occurs, all Membership Interests in SBLI USA will be extinguished. In exchange for extinguishment of the Membership Interests, Eligible Policyholders will receive, in total, \$36 million of cash consideration. We estimate each Eligible Policyholder will be entitled to receive approximately \$190.00. The actual amount paid to each Eligible Policyholder may be higher or lower, however, depending on the number of Eligible Policyholders.

**Q. Will I be compensated for my Membership Interests?**

A. If you are an Eligible Policyholder, you will receive a share of the Policyholder Consideration for surrendering your Membership Interests.

**Q. Who is eligible to receive consideration in connection with the sponsored demutualization?**

A. An owner of a Policy that was In Force on the Plan Adoption Date and remains In Force on the Plan Effective Date will be eligible to receive a share of the Policyholder Consideration. Owners of such Policies are referred to as Eligible Policyholders in this policyholder information booklet. For rules regarding ownership and when a policy is in force, see *“Eligibility to Vote and Receive Policyholder Consideration.”*

**Q. What payment will I receive if the sponsored demutualization is completed?**

A. If you are an Eligible Policyholder, you will be entitled to receive an amount of cash equal to the portion of the Policyholder Consideration that has been allocated to you. Each Eligible Policyholder will be allocated an amount of consideration equal to \$36 million divided by the number of Eligible Policyholders. We estimate that each Eligible Policyholder will be entitled to receive approximately \$190.00. The actual amount paid to each Eligible Policyholder may be higher or lower, however, depending on the number of Eligible Policyholders.

**Q. What was the basis of allocating the Policyholder Consideration to Eligible Policyholders?**

A. The Plan provides that each Eligible Policyholder will be allocated a portion of the Policyholder Consideration, in the form of cash, in an amount equal to the amount of the Policyholder Consideration divided by the total number of Eligible Policyholders. This fixed amount will account for 100% of the Policyholder Consideration, without any variable component used to allocate consideration on an individual policy basis. As described in the opinion regarding allocation of consideration from Marc Slutzky of Milliman, Inc., Mr. Slutzky concluded, among other things, that it was impractical for SBLI USA to calculate actuarial contributions on an individual Policy basis or for similar classes since there are insufficient records available to calculate actuarial contributions made by Policyholders.

**Q. When will the Policyholder Consideration be distributed to Eligible Policyholders?**

A. American Stock Transfer and Trust, LLC, a paying agent (the “**Paying Agent**”), will send to each Eligible Policyholder a check in the amount of the Policyholder Consideration allocated to such Eligible Policyholder within 60 days after the Plan Effective Date.

**Q. Are there any conditions to my receipt of my share of the Policyholder Consideration?**

A. Yes. The distribution of the Policyholder Consideration is conditioned on the closing of the Amended and Restated Merger Agreement, dated November 27, 2013 (the “**Merger Agreement**”), among Prosperity, SBLI USA Acquisition LLC (“**Acquisition LLC**”), SBLI USA and SBLI USA Holdings, LLC (“**Holdco**”), which will occur if all of the conditions set forth in the Merger Agreement are satisfied or waived in accordance with the terms of the Merger Agreement. The distribution of the Policyholder Consideration is also conditioned on the approval of the Plan by the Policyholders and the approval of the Plan by the Superintendent of Financial Services of the State of New York (the “**Superintendent**”). See “*Eligibility to Vote and Receive Policyholder Consideration.*”

**Q. What is the Redemption?**

A. Immediately after the sponsored demutualization, SBLI USA will sell a capital note to a subsidiary of Prosperity for \$7.5 million of cash consideration. SBLI USA will use the proceeds of this sale to redeem \$7.5 million of the common stock it issued to Holdco in the demutualization. Holdco will, in turn, use the proceeds of the common stock redemption to redeem \$7.5 million of Holdco limited liability company interests from the Paying Agent (acting on behalf of the Eligible Policyholders for this purpose) (the “**Redemption**”). The Paying Agent will distribute the proceeds of the Redemption to Eligible Policyholders as part of the Policyholder Consideration.

**Q. What is the Merger?**

A. Immediately after the Redemption, Holdco will merge with and into Acquisition LLC, a subsidiary of Prosperity, with Acquisition LLC being the surviving company, resulting in SBLI USA becoming a wholly owned subsidiary of Acquisition LLC (the “**Merger**”). All limited liability company interests of Holdco that were issued to the Paying Agent on behalf of Eligible Policyholders and not repurchased in the Redemption will be cancelled and converted into the right to receive Merger consideration equal to \$28.5 million. The Paying Agent will distribute the Merger consideration to Eligible Policyholders as part of the Policyholder Consideration.

**Q. Is the receipt of cash taxable to me?**

A. The receipt of cash in the Redemption and the Merger will be a taxable transaction for U.S. federal income tax purposes. If you are a U.S. Policyholder (as defined in “*U.S. Federal Income Tax Considerations*”), you generally will recognize gain in an amount equal to the cash payment made to you. See “*U.S. Federal Income Tax Considerations.*”

**Q. Will the sponsored demutualization adversely affect my Policy?**

A. Consummation of the sponsored demutualization will not increase premiums or contributions, or diminish the benefits, values (such as loan values, cash values and paid up insurance values), policy guarantees or dividend eligibility of your Policy. Policies eligible to receive dividends or excess interest will continue to be so eligible. However, as always, policy dividends and excess interest are not guaranteed and may vary from year to year.

**Q. If I currently receive dividends on my policy, how will the sponsored demutualization affect the dividends or excess interest paid in the future on my policy?**

A. The Closed Block will be established to protect the reasonable dividend expectations of the Policyholders of life insurance policies that are included within it. Policies eligible to receive dividends will continue to be so eligible. Policy dividends will continue to be payable as declared by the board of directors, in accordance with “*Principal Terms of the Sponsored Demutualization and the Plan – The Closed Block.*” See “*Opinions of Financial Adviser and Actuaries – Opinions of Marc Slutzky of Milliman, Inc.*”

**Q. What is the Closed Block?**

A. The Closed Block is an accounting mechanism that is designed to afford certain protections to owners of traditional dividend-paying individual life insurance Policies following the demutualization. Sufficient assets will be allocated to the Closed Block as of September 30, 2012 (the “**Closed Block Calculation Date**”) to produce cash flows which, together with anticipated revenue from the Policies in the Closed Block, are expected to be sufficient to support such business including, but not limited to, provisions for payments of claims, certain expenses and taxes associated with the Closed Block Business, and to provide for the payment of dividends in accordance with the scales in effect in 2013 if the experience underlying those scales continues and for appropriate adjustments in such dividend scales if the experience changes. The amount of assets allocated to the Closed Block was calculated as of the Closed Block Calculation Date. After the Plan Effective Date, the funding of the Closed Block may be adjusted if the actual experience of the Closed Block between September 30, 2012 and December 31, 2013 deviates from the assumptions underlying the Closed Block funding calculation. Prosperity committed to the Department and SBLI USA acknowledged that SBLI USA will not make certain interest payments under the capital note being sold to a subsidiary of Prosperity and will not make dividend payments on its stock until the Department approves the adjustment of the funding level of the Closed Block.

The Closed Block does not guarantee a continuation of the 2013 dividend scales. The dividend scales will need to be adjusted if the actual experience of the Closed Block deviates from the experience assumptions underlying the Closed Block funding calculation. One of the underlying experience assumptions is a portfolio earnings rate of 4.6%. However, at present, reinvestment rates are lower than 4.6%. See “*Principal Terms of the Sponsored Demutualization and the Plan – The Closed Block.*”

**Q. Once SBLI USA converts to a stock insurer, how are the interests of its shareholder different from the interests of its policyholders?**

A. Shareholders generally are interested in financial performance as it relates to the value of their shares or shareholder dividends, while policyholders primarily are interested in financial performance as it relates to premium rates, policy dividends and the ability of their insurance company to pay benefits.

**Q. Why is the sponsored demutualization in the best interest of the Policyholders?**

A. The sponsored demutualization will help enhance SBLI USA by providing a financial and strategic partner in Prosperity that will enable it to sell insurance policies again, and strengthen the long-term prospects of SBLI USA. In addition, Policyholder Consideration will be paid to the Eligible Policyholders which, in the absence of a demutualization, Policyholders would otherwise be unlikely to receive. Finally, the establishment of the Closed Block will protect the reasonable dividend expectations of the Policyholders of life insurance Policies that are included within it.

**Q. What is Prosperity?**

A. Prosperity is a life and annuity insurance holding company. Prosperity currently owns Shenandoah Life Insurance Company (“**Shenandoah**”), a Virginia domiciled life and annuity insurance company. Prosperity acquired Shenandoah from the Commissioner of Insurance of Virginia, acting as Deputy Receiver of Shenandoah, and facilitated Shenandoah’s exit from receivership.

Prosperity is owned by investment funds managed by Reservoir Capital Group, L.L.C. (“**Reservoir**”) and Black Diamond Holdings, LLC (“**Black Diamond**”). Reservoir is a privately held investment firm founded in 1998 based upon the belief that patient capital and a flexible investment mandate are competitive advantages in the pursuit of superior, long-term, risk-adjusted returns. Reservoir’s managed investment funds currently have approximately \$7 billion of assets under management. Black Diamond is an insurance-focused private equity investment firm established in 2005 by three principals with extensive insurance experience. The principals of Black Diamond have worked closely with Reservoir on insurance transactions for over a decade.

**Q. What are the conditions that must be satisfied in order for the sponsored demutualization to occur?**

- A. The sponsored demutualization cannot be completed unless a number of conditions are satisfied, including the following:
- the Superintendent must approve the Plan, the issuance of the capital note, the redemption of SBLI USA’s common stock and the acquisition of control of SBLI USA by Prosperity;
  - the Policyholders must approve the Plan and the transactions contemplated by the Plan and the Merger Agreement; and
  - all of the conditions to the closing of the Merger Agreement must be satisfied or waived in accordance with their terms. See “*Principal Terms of the Merger Agreement – Conditions to Closing.*”

**Q. When do you expect the sponsored demutualization to be completed?**

- A. The sponsored demutualization will be completed when the conditions to the Merger described under “*Principal Terms of the Merger Agreement – Conditions to Closing*” are satisfied or waived in accordance with their terms. Assuming timely satisfaction of the closing conditions, we anticipate that the sponsored demutualization will be completed in the third quarter of 2014. There can be no assurance, however, that the sponsored demutualization will be completed.

**Q. What happens if the sponsored demutualization is not completed?**

- A. If the sponsored demutualization is not completed for any reason, including the failure of the Plan to be approved by the Superintendent or by the Policyholders, or the failure of the closing conditions set forth in the Merger Agreement to be satisfied or waived in accordance with their terms, SBLI USA will not demutualize and Eligible Policyholders will not receive any payment on account of extinguishment of their Membership Interests. Instead, SBLI USA will remain an independent mutual insurance company, although SBLI USA would not be precluded from demutualizing in the future. In addition, under specified circumstances, and subject to the Superintendent’s prior approval, SBLI USA could be required to reimburse Prosperity for its expenses or pay Prosperity a fee with respect to the termination of the Merger Agreement. See “*Principal Terms of the Merger Agreement – Payment of Fees.*”

**Q. Will the officers, directors and employees of SBLI USA receive any compensation in connection with the sponsored demutualization?**

- A. The officers, directors and employees of SBLI USA will not receive any fee or other consideration in connection with the sponsored demutualization, other than their regular salary, directors’ fees or consideration as a Policyholder in the sponsored demutualization. See “*Interests of Certain Persons in the Sponsored Demutualization.*”

***Voting on the Plan***

**Q. What is the Plan?**

- A. The Plan is the document that specifies the terms of the conversion of SBLI USA from a mutual insurance company into a stock insurance company. It identifies Policyholders who are eligible to vote and to receive a share of the Policyholder Consideration. It also establishes the Closed Block. See “*Principal Terms of the Sponsored Demutualization and the Plan.*”

**Q. Has the SBLI USA board of directors approved the Plan?**

- A. Yes, our board of directors unanimously approved the Plan. The board of directors consulted extensively with senior management and its independent financial, actuarial and legal advisers and considered a number of factors and alternatives in reaching its decision to approve the Plan. Having undertaken a thorough process of seeking bids for an investment in, or

acquisition of, SBLI USA, with the assistance at various times of different investment banking firms, the board of directors unanimously determined that the sponsored demutualization is in the best interests of SBLI USA and its Policyholders.

**Q. Who can vote on the Plan?**

A. If you were the Owner of a Policy on July 8, 2014 (referred to in this policyholder information booklet as the Plan Adoption Date), you are entitled to vote on the Plan. Policyholders will be allowed to vote in person at SBLI USA's offices on August 28, 2014 or by mail. See "*Eligibility to Vote and Receive Policyholder Consideration.*" You may also appoint a proxy agent to vote for you. If you need instructions regarding appointing a proxy agent, please call our Demutualization Information Center toll free at 1-866-390-3665 from 10 a.m. to 3 p.m., Eastern Time, Monday through Friday until August 28, 2014. If you are a Policyholder, you are entitled to one vote on the Plan, regardless of the number or size of the Policies you own, unless those Policies are held in different capacities (such as an individual who holds one Policy in his or her name and another as a trustee).

**Q. Why must Policyholders vote and how many votes are needed to approve the Plan?**

A. In order for the Plan to become effective, New York law requires that it be approved by at least two-thirds of the Policyholders who vote on the Plan. Voting may be in person or by mail. You may also appoint a proxy agent to vote for you. See "*Eligibility to Vote and Receive Policyholder Consideration.*"

**Q. What are Policyholders voting on?**

A. Policyholders are voting on the Plan and the transactions contemplated by the Plan and the Merger Agreement. If the proposal is approved by Policyholders and the demutualization occurs, the Merger also will occur. If that proposal is not approved by Policyholders, neither the demutualization nor the Merger will occur. See "*Principal Terms of the Sponsored Demutualization and the Plan – Conditions to the Plan Becoming Effective*" and "*Principal Terms of the Merger Agreement – Conditions to Closing.*"

**Q. What should I do now?**

A. **Please vote.** Complete, date, sign and return the enclosed ballot in the accompanying prepaid reply envelope prior to August 28, 2014. Policyholders who want to cast their ballots in person may do so by following the instructions in this policyholder information booklet. Policyholders may also appoint a proxy agent to vote for them. **The board of directors recommends that you vote "YES" for the approval of the Plan and the transactions contemplated by the Plan and the Merger Agreement.**

**Q. Who can answer my questions about the sponsored demutualization or how to vote?**

A. If you have any questions regarding the sponsored demutualization or how to vote, or if you need additional copies of this policyholder information booklet or the enclosed ballot or voting instructions, please contact our Demutualization Information Center toll-free at 1-866-390-3665 between the hours of 10:00 a.m. and 3:00 p.m., Eastern Time, Monday through Friday until August 28, 2014.

***Risks and Uncertainties Associated with the Sponsored Demutualization***

**Q. Are there any risks with respect to the sponsored demutualization?**

A. There are risks with respect to the sponsored demutualization. The risks are discussed in "*Certain Considerations Relating to the Sponsored Demutualization.*" The board of directors considered the benefits of the sponsored demutualization and also the risks and unanimously approved the Plan. The board of directors recommends that you vote "YES" for the approval of the Plan and the transactions contemplated by the Plan and the Merger Agreement.

**Q. What advisers were consulted by the board of directors in connection with its consideration of the Plan?**

A. The board of directors consulted with financial, legal and actuarial advisers. The board of directors' use of advisers is discussed in "*The Sponsored Demutualization – Background of the Sponsored Demutualization*" and "*Opinions of Financial Adviser and Actuaries.*"

*The Regulatory Approval Process, Including the Public Hearing*

**Q. What regulatory approvals are required in connection with the sponsored demutualization?**

A. The Plan and certain aspects of the Merger are subject to the approval of the Superintendent. In addition, the Superintendent must approve SBLI USA's issuance of the capital note to a subsidiary of Prosperity for \$7.5 million, SBLI USA's repurchase of shares from Holdco, and Prosperity's acquisition of control of SBLI USA. Further, the Director of the Arizona Department of Insurance (the "**Arizona Director**") must approve Prosperity's acquisition of control of S. USA Life Insurance Company, Inc., our Arizona-domiciled life insurance company subsidiary (the "**Arizona Subsidiary**"); this approval was received in March 2014.

**Q. What is the public hearing?**

A. The Superintendent will hold a public hearing upon the fairness of the terms and conditions of the Plan, the reasons for and purposes of the sponsored demutualization, and whether the sponsored demutualization is in the interest of SBLI USA and its Policyholders, and not detrimental to the public. Please see the "*Notice of Public Hearing*" contained in this policyholder information booklet to learn more about the date, time and place of the hearing and how you can participate in the hearing if you wish to do so. SBLI USA will also publish the notice of hearing in three newspapers of general circulation.

**Q. When must the Superintendent approve or disapprove the Plan?**

A. The Superintendent is required by law to approve or disapprove the Plan in writing within 60 days after the conclusion of the public hearing.

**Q. What are the standards for the Superintendent to approve the Plan?**

A. The Superintendent must approve the Plan if he finds that:

- the Plan, in whole and in part, does not violate the New York Insurance Law;
- the Plan is fair and equitable to the Policyholders;
- the Plan is not detrimental to the public; and
- after giving effect to the Plan, SBLI USA will have an amount of capital and surplus the Superintendent deems to be reasonably necessary for its future solvency.

**Q. Has the Arizona Director approved the acquisition of control of the Arizona Subsidiary?**

A. The Arizona Director approved the acquisition of control of the Arizona Subsidiary in March 2014.

## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This policyholder information booklet contains information that is forward-looking. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results to differ materially from the forward-looking statements. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will,” “continue,” “project,” and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of our future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. These risks and uncertainties include:

- our ability to consummate the sponsored demutualization (including obtaining necessary regulatory and Policyholder approvals and satisfying the other conditions to the closing of the Merger) and to realize the benefits of the sponsored demutualization;
- the impact on us of a failure to complete the sponsored demutualization;
- the validity of assumptions and methodologies used by management in analyzing the sponsored demutualization and in predicting our further capital and liquidity needs and the inability to predict with certainty any future scenarios;
- uncertainties in our ability to raise capital or other sources of funding to support ongoing capital and liquidity needs;
- risks arising from our investment strategy, including risks related to the market value of our investments, fluctuations in interest rates and our need for liquidity;
- developments in financial markets that could affect our investment portfolio;
- changes in the rate of customer withdrawals;
- terrorist attacks on the United States and the impact of such attacks on the economy in general and on our business in particular;
- loss of the services of any of our key employees;
- the competitive environment in which we operate and associated pricing and other pressures;
- tax changes that affect our effective tax rate and tax changes that decrease the demand for our products, including proposals that would affect the taxation of life insurance companies and that would diminish the tax-favored treatment of certain of our products; and
- changes in law and accounting principles.

The effects of these factors are difficult to predict. New factors emerge from time to time and we cannot assess the financial impact of any such factor on our business or the extent to which any factor or combination of factors may cause results to differ materially from those described in any forward-looking statement. Any forward-looking statement speaks only as of the date of this policyholder information booklet and we do not undertake any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of unanticipated events.

## SUMMARY FINANCIAL INFORMATION

The following summary financial information for each of the years ended December 31, 2012 and 2013 and the quarter ended March 31, 2014 has been derived from the financial statements of SBLI USA prepared in accordance with statutory accounting principles approved by the Department. See “*Available Information*” and “*Incorporation of Certain Documents by Reference*”.

	March 31, 2014 (unaudited)	December 31, 2013	December 31, 2012
	(In Thousands)		
Cash & Invested Assets .....	\$ 1,446,342	\$ 1,446,450	\$ 1,449,512
Other Assets .....	32,054	32,642	36,941
<b>Total Assets</b> .....	<b>\$ 1,478,396</b>	<b>\$ 1,479,092</b>	<b>\$ 1,486,453</b>
Reserves & Other Liabilities.....	\$ 1,388,659	\$ 1,390,097	\$ 1,405,188
Total Capital & Surplus .....	89,737	88,995	81,265
<b>Total Liabilities &amp; Surplus</b> .....	<b>\$ 1,478,396</b>	<b>\$ 1,479,092</b>	<b>\$ 1,486,453</b>

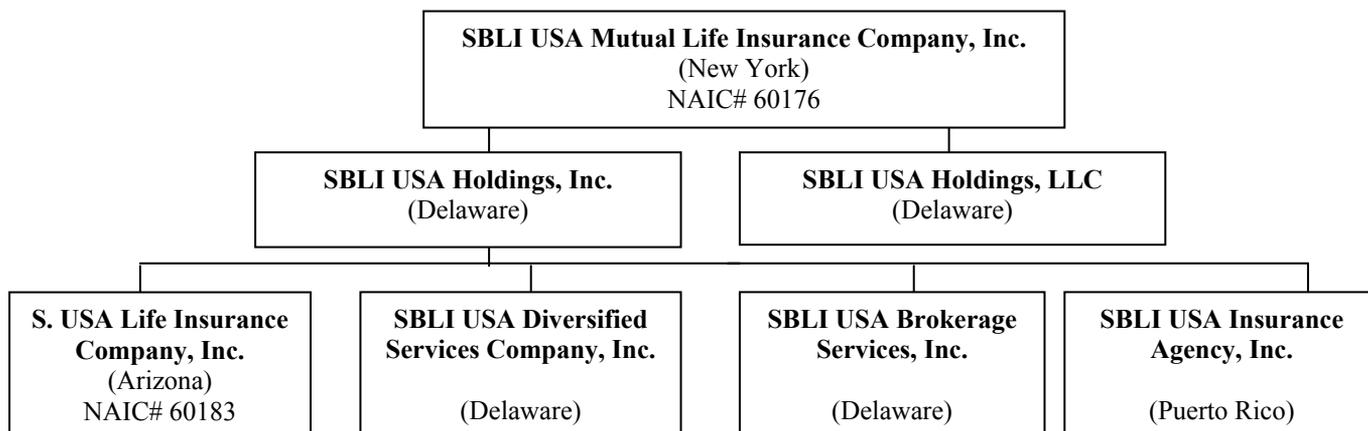
### PARTIES TO THE SPONSORED DEMUTUALIZATION

#### SBLI USA Mutual Life Insurance Company, Inc.

##### *Organizational Structure*

SBLI USA Mutual Life Insurance Company, Inc., or SBLI USA, is a New York mutual life insurance company headquartered in New York, New York. SBLI USA is the parent company of SBLI USA Holdings, Inc., which has the following wholly owned subsidiaries: SBLI USA Diversified Services Company, Inc., a company that markets non-insurance products; SBLI USA Insurance Agency, Inc., an agency supporting SBLI USA’s Puerto Rico branch operations; SBLI USA Brokerage Services, Inc., an inactive entity; and the Arizona Subsidiary, an Arizona stock life insurance company purchased in 2000 to support SBLI USA’s previous growth initiatives outside the State of New York. SBLI USA Holdings, LLC, or Holdco, was formed by SBLI USA in connection with the sponsored demutualization.

A chart showing the current structure of the SBLI USA group of companies is set forth below:



In June 2010, SBLI USA ceased offering new life insurance products. Our board of directors determined that SBLI USA, as a stand-alone entity, would not have sufficient scale or access to capital to enable it to compete effectively. As a result, the board determined pursuing the sponsored demutualization was necessary to secure the long-term viability of SBLI USA. See “*The Sponsored Demutualization – Background of the Sponsored Demutualization.*”

After the sponsored demutualization, SBLI USA has determined that it will focus on the underserved middle and low income New York consumers. This strategy will allow SBLI USA to offer low-cost, affordable insurance to existing and new customers, the vast majority of whom are expected to be New York residents. SBLI USA will seek to leverage its existing marketing relationships with New York communities, New York-based banks that also have operations outside of New York, and Prosperity subsidiaries to expand its distribution channels. SBLI USA intends to opportunistically sell outside of New York using these channels in a cost effective way.

### ***Company History***

SBLI USA began in 1939 as The Savings Banks Life Insurance System pursuant to a 1938 Act of The New York State Legislature. In 1940, the Act was amended to create a corporation in the State of New York Banking Department called the Savings Bank Life Insurance Fund, which was charged with the responsibility of carrying out the duties previously performed by the Division of Savings Bank Life Insurance within the Banking Department. In 1998, due to changes in the financial services industry, legislation was enacted allowing the Savings Bank Insurance Fund to consolidate with 16 separate insurance departments of issuing banks, creating a single mutual life insurance company. This company, SBLI Mutual Life Insurance Company of New York, Inc., was incorporated on August 30, 1999 and was licensed to issue life insurance, annuities, and accident and health insurance on December 28, 1999. SBLI USA adopted its present name on April 12, 2000.

### **Prosperity**

Prosperity is a life and annuity insurance holding company. Prosperity currently owns Shenandoah, a Virginia domiciled life and annuity insurance company. Prosperity acquired Shenandoah from the Commissioner of Insurance of Virginia, acting as Deputy Receiver of Shenandoah, and facilitated Shenandoah’s exit from receivership.

Prosperity is owned by investment funds managed by Reservoir and Black Diamond. Reservoir is a privately held investment firm founded in 1998 based upon the belief that patient capital and a flexible investment mandate are competitive advantages in the pursuit of superior, long-term, risk-adjusted returns. Reservoir’s managed investment funds currently have approximately \$7 billion of assets under management. Black Diamond is an insurance-focused private equity investment firm established in 2005 by three principals with extensive insurance experience. The principals of Black Diamond have worked closely with Reservoir on insurance transactions for over a decade.

### **SBLI USA Holdings, LLC**

SBLI USA Holdings, LLC, or Holdco, a Delaware limited liability company, is a wholly owned special purpose subsidiary of SBLI USA, formed solely for the purpose of effectuating the sponsored demutualization. SBLI USA will issue shares of its common stock to Holdco in exchange for limited liability company interests of Holdco. As a result, SBLI USA will become Holdco’s wholly owned subsidiary. Thereafter, SBLI USA will distribute the Holdco limited liability company interests to the Paying Agent on behalf of Eligible Policyholders in exchange for their Membership Interests in SBLI USA. Immediately thereafter, Holdco will merge with and into Acquisition LLC, with Acquisition LLC as the surviving entity, and its remaining limited liability company interests will be cancelled.

### **SBLI USA Acquisition LLC**

SBLI USA Acquisition LLC, or Acquisition LLC, a Delaware limited liability company, is a subsidiary of Prosperity, formed for the purpose of merging with Holdco and becoming the parent company of SBLI USA.

## THE SPONSORED DEMUTUALIZATION

### Background of the Sponsored Demutualization

As part of its ongoing evaluation of SBLI USA's business and strategic direction, the board of directors of SBLI USA in 2004, 2007 and 2009 sought to gauge interest from third parties in a potential business combination transaction with SBLI USA. These efforts did not result in a proposal for a transaction.

Between June 2009 and February 2011, A.M. Best & Company, Inc. ("A.M. Best") downgraded the financial strength rating of SBLI USA from "A-" to "B" and changed its outlook for SBLI USA from stable to negative. In June 2010, SBLI USA ceased offering new insurance products.

In August 2010, management of SBLI USA received inquiries from several parties about possible business combination transactions involving SBLI USA. In September 2010, the board of directors retained KPMG Corporate Finance LLC, an investment banking firm, to assist it with the evaluation of these proposals. Three proposals were preliminary in nature and were not pursued by the persons making them. The fourth proposal was made by a New York Stock Exchange-traded property/casualty insurance group but negotiations never passed the preliminary stage.

At the request of SBLI USA's management, during March and April 2011, KPMG Corporate Finance LLC selected ten parties to contact, including life insurance companies and private equity funds, about a possible business combination transaction with SBLI USA. A mutual holding company with a life insurance company subsidiary, both domiciled outside of New York, was the only party to propose a transaction. The parties were unable to agree on key terms of a definitive agreement and negotiations were terminated in late 2011.

In February 2012, SBLI USA requested that A.M. Best withdraw its rating since SBLI USA was no longer writing new business. Thereafter, A.M. Best affirmed and withdrew its "B" financial strength rating for SBLI USA and revised its outlook for SBLI USA from negative to stable.

In March 2012, Prosperity contacted SBLI USA with a proposal for a sponsored demutualization of SBLI USA. Thereafter, SBLI USA and Prosperity entered into a Stock Purchase and Investment Agreement dated October 15, 2012. During the summer of 2013, Prosperity, SBLI USA and the Department held numerous discussions about the terms and structure of the initial Stock Purchase and Investment Agreement. In October 2013, SBLI USA and Prosperity agreed to restructure the transaction to reflect the final terms described in this policyholder information booklet.

During October and November 2013, Prosperity and its counsel and SBLI USA and its counsel drafted and negotiated the Merger Agreement, which amended and restated the Stock Purchase and Investment Agreement in its entirety. These negotiations were concluded in late November 2013.

On November 25, 2013, SBLI USA's board of directors met telephonically to consider the Merger Agreement. At the meeting, representatives of KPMG Corporate Finance LLC discussed the process that had been undertaken to find buyers for SBLI USA. Representatives of Sherman & Company reviewed with the board of directors Sherman & Company's financial analysis of the proposed transaction and delivered to SBLI USA a written opinion dated November 22, 2013, to the effect that, as of such date, the consideration to be received by Eligible Policyholders, taken in the aggregate in connection with the sponsored demutualization was fair, from a financial point of view, to such Eligible Policyholders. After discussion, the board of directors unanimously resolved to approve the Merger Agreement. The parties executed the Merger Agreement on November 27, 2013.

On July 8, 2014, SBLI USA's board of directors met to consider the Plan. Counsel to SBLI USA discussed the Plan, including the various methods that could be pursued under Section 7312 of the New York Insurance Law for a demutualization. SBLI USA chose to pursue Method 4 under Section 7312(d) of the New York Insurance Law because, among other things, (1) the flexibility of Method 4 allows for the design of a plan of reorganization that is best suited to provide SBLI USA's policyholders with a fair and equitable result and (2) the other three methods could not be used for the reorganization as described in the Plan. As part of the meeting, Marc Slutzky of Milliman, Inc., SBLI USA's actuarial adviser, delivered to the board of directors summaries of his opinions as to (1) the fairness, from an actuarial point of view, of the allocation of consideration to be received by the eligible policyholders in connection with the sponsored demutualization and (2) the establishment and funding of the Closed Block. After discussion, the board of directors unanimously resolved to approve and adopt the Plan as of July 8, 2014. The Plan thereafter was formally filed with the Department.

## **Alternatives Considered by SBLI USA**

The SBLI USA board of directors considered a number of alternatives before deciding that it would be in the best interests of SBLI USA to undertake a sponsored demutualization and to have Prosperity as the sponsor. Described below are some of the alternative structures the SBLI USA board of directors considered before making this decision.

Generally, the board of directors considered the long-term prospects of SBLI USA in light of the fact that its ratings have been withdrawn and it has ceased writing new business. The board of directors does not believe that SBLI USA, as a stand-alone mutual life insurance company, has sufficient size, scale or access to capital necessary to enable it to compete effectively.

The SBLI USA board of directors considered options available to SBLI USA that could enable it to remain competitive and independent, such as organic growth and growth through acquisitions, and capital raising alternatives to fund that growth. In addition, the SBLI USA board of directors considered other strategic options that could enhance SBLI USA's competitive position and long-term prospects through affiliation with other parties, including pursuing a sponsored demutualization or a merger with another mutual company. The SBLI USA board of directors engaged professional financial advisers in 2004, 2007, and 2009 to gauge interest from third parties in a potential investment in or business combination transaction with SBLI USA. Together, the three financial advisers contacted more than 35 counterparties, but none of these contacts resulted in a transaction. In 2010, SBLI USA retained a fourth financial adviser to evaluate four proposals about potential business combination transactions, but none of the proposals passed the preliminary stage. Thereafter, the financial adviser contacted ten parties about a possible business combination transaction. Only one party proposed a transaction, but SBLI USA and the counterparty could not reach an agreement on key terms. The proposed sponsored demutualization with Prosperity is the first potential investment or business combination transaction about which SBLI USA has been able to reach an agreement since it began to consider such transactions in 2004.

Organic growth and growth through acquisitions did not appear feasible, given the amount of capital that would be required. To fund growth through acquisitions or organic growth would require greater access to capital. Based on these and other factors described below, the SBLI USA board of directors believes that a sponsored demutualization is necessary to secure the long-term viability of SBLI USA. See *"The Sponsored Demutualization – Reasons for the Proposed Sponsored Demutualization and Considerations of the Board of Directors; Recommendation of the Board of Directors."*

Based on these and the factors described below, SBLI USA's board of directors concluded that pursuing the proposed transaction is in the best interests of SBLI USA and its Policyholders. In addition, in connection with the signing of the Merger Agreement, SBLI USA received a fairness opinion from Sherman & Company as to the fairness, from a financial point of view, to the Eligible Policyholders, as a group, of the aggregate consideration to be received by the Eligible Policyholders. See *"Opinions of Financial Adviser and Actuaries"* for a summary of the fairness opinion. The full text of Sherman & Company's opinion, dated as of November 22, 2013, is included as Annex C to this policyholder information booklet.

## **Reasons for the Proposed Sponsored Demutualization and Considerations of the Board of Directors; Recommendation of the Board of Directors**

The board of directors consulted extensively with senior management and with its advisers and considered a number of factors in reaching its decisions to approve the Merger Agreement and the Plan and to recommend that you approve it. Some of the factors, positive and negative, that the board of directors considered include:

- the effect of SBLI USA's decision to cease writing new business on its credibility in the market and on SBLI USA's ability to raise capital, on acceptable terms or at all, to enable it to begin writing business again;
- SBLI USA's financial condition and future prospects, the strategic direction of SBLI USA's business and its competitive position in various lines of business, which, when considered in their entirety, demonstrated the need to have access to additional capital;
- the fact that no potential buyer has made a proposal to acquire or invest in SBLI USA on terms as favorable as those of the proposed sponsored demutualization, notwithstanding the extensive processes SBLI USA conducted, with the assistance of four investment banks, to solicit proposals from a wide range of companies believed to be the most likely candidates with whom to pursue a transaction;
- the unlikelihood of obtaining a superior offer from a third party and the risk of losing the proposed transaction with Prosperity while continuing to seek a superior offer;

- the belief of the board of directors that, after a thorough analysis of SBLI USA’s prospects, the transaction offers the best alternative for SBLI USA;
- the suitability of Prosperity as a financial and strategic partner for SBLI USA and its affiliates, including that Prosperity has experience with insurance acquisitions and employees with extensive knowledge of the insurance industry;
- management’s presentations to the board of directors and recommendation in support of the sponsored demutualization;
- the advice of SBLI USA’s financial adviser, KPMG Corporate Finance LLC;
- the financial analysis prepared by Sherman & Company regarding the fairness, from a financial point of view, of the Policyholder Consideration, taken in the aggregate, in connection with the sponsored demutualization;
- the actuarial opinion of Marc Slutzky of Milliman, Inc., which stated that, for the reasons described in the opinion, the allocation in the form solely of a fixed amount to each Eligible Policyholder is reasonable, and the resulting allocation of consideration is fair and equitable to the Eligible Policyholders (see “*Opinions of Financial Adviser and Actuaries – Opinions of Marc Slutzky of Milliman, Inc.*”);
- the actuarial opinion of Marc Slutzky of Milliman, Inc., which stated that the objective of the Closed Block as set forth in the Closed Block Memorandum (Schedule 2 to the Plan) is appropriate and that the arrangements for the establishment and operation of the Closed Block as set forth in the Closed Block Memorandum will allocate assets to the Closed Block as of the Closed Block Calculation Date, subject to adjustment based on the actual experience of the Closed Block between the Closed Block Calculation Date and December 31, 2013, in an amount which together with anticipated revenue from the Closed Block Business is reasonably expected to be sufficient to support such business including, but not limited to, provisions for payment of claims, certain expenses and taxes associated with the Closed Block Business, and to provide for the continuation of the dividend scales in effect in 2013 if the experience underlying those scales continues and for appropriate adjustments in such dividend scales if the experience changes (see “*Opinions of Financial Adviser and Actuaries – Opinions of Marc Slutzky of Milliman, Inc.*”);
- Prosperity’s capital resources and ability to pay the consideration offered in connection with the sponsored demutualization and to close the sponsored demutualization on a timely basis;
- the fact that Prosperity will ultimately own all the outstanding shares of capital stock of SBLI USA, and the Policyholders will no longer have the ability to vote on matters relating to SBLI USA or have any ownership interest in SBLI USA or its subsidiaries (including the Arizona Subsidiary); and
- the risk that the sponsored demutualization might not be completed in a timely manner or at all due to the failure to meet the closing conditions in the Merger Agreement including, but not limited to, the approval of the Plan by the Policyholders and the completion of the transaction by the end date set forth in the Merger Agreement.

### **Recommendation of the Board of Directors**

**The board of directors unanimously recommends that you vote “Yes” for approval of the Plan and the transactions contemplated by the Plan and the Merger Agreement.**

## PRINCIPAL TERMS OF THE SPONSORED DEMUTUALIZATION AND THE PLAN

*The following is a summary of the proposed sponsored demutualization, including a description of the Plan, a copy of which is attached to this document as Annex A and is incorporated by reference into this document. Please see the Plan itself for more complete information. If there are differences between this summary (or any other explanatory information in your package of materials) and the Plan, the provisions of the Plan will govern.*

### General

SBLI USA proposes to convert from a mutual insurance company to a stock insurance company and be acquired by Prosperity, a process known as a sponsored demutualization.

The steps in the sponsored demutualization are summarized below:

- SBLI USA will convert from a mutual insurance company to a stock insurance company;
- SBLI USA will issue shares of its common stock to Holdco, a wholly owned subsidiary of SBLI USA, in exchange for limited liability company interests issued by Holdco, resulting in SBLI USA becoming a wholly owned subsidiary of Holdco;
- SBLI USA will distribute the limited liability company interests issued to it by Holdco to the Paying Agent on behalf of Eligible Policyholders, in exchange for their Membership Interests in SBLI USA, which will be extinguished;
- A subsidiary of Prosperity will purchase a capital note from SBLI USA for \$7.5 million in cash;
- SBLI USA will use the proceeds from the capital note sale to redeem \$7.5 million of the shares of SBLI USA common stock held by Holdco;
- Holdco will use the proceeds of the common stock redemption to redeem \$7.5 million of its limited liability company interests held by the Paying Agent for the benefit of the Eligible Policyholders;
- Holdco will merge with and into Acquisition LLC, a subsidiary of Prosperity, with Acquisition LLC being the surviving company, resulting in SBLI USA becoming a wholly owned subsidiary of Acquisition LLC;
- The remaining limited liability company interests of Holdco will be cancelled and converted into the right to receive an aggregate of \$28.5 million, which will be paid by Acquisition LLC to the Paying Agent for the benefit of the Eligible Policyholders;
- The Paying Agent will distribute the \$7.5 million of proceeds for the Redemption and the \$28.5 million of proceeds for the Merger, aggregating \$36 million of Policyholder Consideration, to Eligible Policyholders as provided in the Plan;
- Acquisition LLC will reimburse SBLI USA for up to \$4 million of reasonable, documented third-party costs and expenses incurred by SBLI USA or paid by SBLI USA on behalf of the Department in connection with the sponsored demutualization; and
- SBLI USA will establish the Closed Block to protect the reasonable dividend expectations of its traditional dividend-paying individual ordinary life insurance Policies.

### Treatment of Membership Interests

#### **Your Membership Interests are your rights as a Policyholder of a mutual life insurance company.**

As a Policyholder, you currently have Membership Interests in SBLI USA. These Membership Interests consist principally of the right to vote on various matters (including certain extraordinary transactions such as demutualizations and the election of directors) and the right to receive a portion of any remaining surplus (total assets minus total liabilities) if SBLI USA is liquidated. These Membership Interests are non-transferable and terminate when the related Policy or contract terminates. Membership Interests do not include rights expressly conferred on you by your Policy or contract (other than any right to vote), such as the right to receive

policy dividends. If the Plan becomes effective, all Membership Interests will be extinguished. Eligible Policyholders will receive an allocation of the Policyholder Consideration described in the Plan.

***Changes to Rights in Liquidation***

Liquidation is a legal concept referring to the distribution of corporate assets after a company’s legal existence has ended. In the unlikely event that SBLI USA were to be liquidated while it remained a mutual insurance company, any assets left over after insurance and non-insurance liabilities were paid would be distributed to Policyholders. After the demutualization, when SBLI USA is a stock company, any assets remaining after payment of SBLI USA’s insurance and non-insurance liabilities (except for assets remaining in the Closed Block, which cannot revert to the benefit of shareholders) would be distributed to SBLI USA’s shareholder. Following the sponsored demutualization, Acquisition LLC will be the sole shareholder of SBLI USA. Liquidations are rare for life insurance companies. However, when they do occur, liabilities generally exceed the life insurance company’s assets.

Please note that a demutualization is not a liquidation, but a change in corporate form. SBLI USA will continue its business after it converts to a stock company.

***Termination of Right to Vote***

As a result of the sponsored demutualization and other transactions described in this policyholder information booklet and in the Plan, Acquisition LLC will be the only shareholder of SBLI USA. Thus, only Acquisition LLC will vote on SBLI USA matters requiring an owner vote. Eligible Policyholders will be compensated under the Plan for surrendering their right to vote on matters affecting SBLI USA in the form of the Policyholder Consideration.

**Differences between Mutual Companies and Stock Companies**

A mutual life insurance company is structured and operated differently from a stock insurance company. The chart that follows compares and contrasts the general characteristics of mutual insurance companies and stock insurance companies.

	<b>Mutual Company</b>	<b>Stock Company</b>
<b>Who Controls the Company</b>	Members of a mutual company, who are policyholders of the insurance company, control the company. There are no shareholders.	Shareholders control the company. Shareholders and policyholders need not be, and generally are not, the same, and their interests may not always be identical.
<b>Membership/Ownership Interests – Financial</b>	Eligible policyholders have the right to compensation upon the extinguishment of Membership Interests in a demutualization and to the remaining value of the insurer in liquidation (after satisfaction of all claims for policy benefits and other creditor claims).	The shareholder(s) of the insurer (which would be Acquisition LLC following the sponsored demutualization, not the policyholders) has the right to the remaining value of the insurer in liquidation (after satisfaction of all claims for policy benefits and other creditor claims).
<b>Membership/Ownership Interests – Voting</b>	Policyholders have the right to vote on matters submitted to them. Each policyholder generally has one vote no matter how many policies are owned or the value of the policy or policies.	Only shareholders have the right to vote.
<b>Transferability of Membership/Ownership</b>	Membership Interests are not transferable apart from the underlying policy. Membership Interests end when the policy ends.	Shareholders own shares of stock, which are generally transferable.
<b>Dividends and Excess Interest</b>	Policies eligible to receive dividends or excess interest receive such payments pursuant to the terms of their policy. Policy dividends are payable as declared by the board of directors.	Policies eligible to receive dividends or excess interest continue to be so eligible. Policy dividends are payable as declared by the board of directors.  A Closed Block will be created to provide for reasonable policy dividend expectations for the life insurance policies that are included within it.  Shareholders are entitled to receive shareholder dividends when and as decided in accordance with law by the board of directors.
<b>Policy Benefits</b>	As provided in policy.	As provided in policy.

	<b>Mutual Company</b>	<b>Stock Company</b>
<b>Possible Acquisition by Another Company</b>	Policyholder consent needed for the company to be acquired.	Shareholder consent needed for the company to be acquired.
<b>Ability to Conduct Capital Transaction</b>	Company has limited ability to raise capital since it can only raise capital through borrowing or through sale of subsidiary stock or assets.	Company has increased ability to raise capital (by selling stock and other securities) and can use stock and other securities to pay for acquisitions.

### **Corporate Form After the Sponsored Demutualization**

After the sponsored demutualization, SBLI USA will be a wholly owned subsidiary of Acquisition LLC, and its corporate existence as a stock life insurance company will be a continuation of its corporate existence as a mutual life insurance company, although SBLI USA’s name will be changed to “SBLI USA Life Insurance Company, Inc.” so that it will no longer contain the word “mutual.”

### **Eligibility for Policyholder Consideration**

If you qualify as an Eligible Policyholder, you will be entitled to receive a share of the Policyholder Consideration after the Plan is approved and becomes effective. The Plan Effective Date will be the date of the closing under the Merger Agreement, which will occur after all of the conditions set forth in the Merger Agreement are satisfied or waived in accordance with the terms of the Merger Agreement. Assuming timely satisfaction of the closing conditions, we anticipate the Plan Effective Date to occur in the third quarter of 2014.

### **Form of Policyholder Consideration**

The Policyholder Consideration will be payable in cash. Consideration will not be paid in the form of stock or limited liability company interests.

### **Distribution of Policyholder Consideration**

**If you are an Eligible Policyholder, the Paying Agent will send you a check in the amount of your share of the Policyholder Consideration within 60 days after the Plan Effective Date.**

The aggregate amount of the Policyholder Consideration is equal to \$36 million. Each Eligible Policyholder will be allocated an equal portion of the Policyholder Consideration, in an amount determined by dividing the Policyholder Consideration by the total number of Eligible Policyholders. We estimate each Eligible Policyholder will be entitled to receive approximately \$190.00. The actual amount paid to each Eligible Policyholder may be higher or lower, however, depending on the number of Eligible Policyholders.

### **Conditions to the Distribution of Policyholder Consideration**

The distribution of the Policyholder Consideration is conditioned on the closing of the Merger Agreement, which will occur if all of the conditions set forth in the Merger Agreement are satisfied or waived in accordance with the terms of the Merger Agreement. The distribution of the Policyholder Consideration is also conditioned on the approval of the Plan by the Policyholders and the approval of the Plan by the Superintendent. See “*Eligibility to Vote and Receive Policyholder Consideration.*”

### **Rights of Appraisal**

Eligible Policyholders will not be entitled to any appraisal rights under applicable law with respect to their Membership Interests in SBLI USA or their limited liability company interests in Holdco.

### **The Closed Block**

#### ***Establishment of the Closed Block***

Certain assets of SBLI USA will be allocated to the Closed Block. The objective of the Closed Block is to provide reasonable assurance to owners of Policies included in the Closed Block that assets allocated to the Closed Block as of the Closed Block Calculation Date shall be an amount that produces cash flows which, together with anticipated revenue from the Policies in the Closed

Block, are reasonably expected to be sufficient to support such business, including, but not limited to, provisions for payments of claims, certain expenses and taxes associated with the Closed Block business and to provide for continuation of the dividend scales in effect in 2013 if the experience underlying such dividend scales continues, and for appropriate adjustments in such dividend scales if the experience changes. The amount of assets allocated to the Closed Block was calculated as of September 30, 2012. The funding of the Closed Block may be adjusted if the actual experience of the Closed Block between September 30, 2012 and December 31, 2013 deviates from the assumptions underlying the Closed Block funding calculation. Prosperity committed to cause SBLI USA to complete the analysis necessary to determine the Closed Block funding adjustment, if any, within one year of the Plan Effective Date. Prosperity also committed and SBLI USA acknowledged that SBLI USA will not make certain interest payments under the capital note being sold to a subsidiary of Prosperity and will not make dividend payments on its stock until the Department approves the adjustment of the funding level of the Closed Block.

The Closed Block does not guarantee a continuation of the 2013 dividend scales. If over time the experience of the Closed Block is more favorable than the assumptions underlying the dividend scales in effect in 2013, total dividend payments will be higher. If over time the experience of the Closed Block is less favorable than the assumptions underlying the dividend scales, total dividend payments will be lower.

### ***Policies Included in the Closed Block***

As specified in the Plan, the “**Closed Block Business**” means the “**Closed Block Policies**,” that are traditional dividend-paying individual ordinary life insurance Policies, consisting of individual whole life Policies, limited payment whole life insurance Policies, endowment life insurance Policies, senior life Policies, single premium whole life Policies, endowment Policies, retirement income Policies, family plan Policies and life insurance Policies in effect under a nonforfeiture option, in each case with an experience-based dividend scale, which were issued by SBLI USA (x) before the Plan Effective Date and In Force on any date on or after the Plan Effective Date or (y) before the Plan Effective Date and eligible on the Plan Effective Date to be reinstated to a dividend-paying policy, in each case together with all riders (whenever issued), additional benefit provisions, dividend accumulations and options with respect to such life insurance Policies. Notwithstanding anything to the contrary, Closed Block Business and the Closed Block Policies do not include the Excluded Policies.

### ***Policies Not Included in the Closed Block***

The Policies excluded from the Closed Block are generally those for which the Policyholder has no expectation of a payment of dividends with respect to the Policy or for which the Policyholder was eligible to receive dividends but the dividend payments with respect to the Policy did not vary based upon the underlying experience of the Policy.

Policies excluded from the Closed Block (the “**Excluded Policies**”) are (1) any Policy or contract issued on or after the Plan Effective Date and riders, additional benefit provisions, dividend accumulations and options with respect thereto, in each case regardless of when issued, (2) supplementary contracts, individual annuities, 5-Year Renewable Term Policies, 20-Year, 25-Year and 30-Year Decreasing Term Policies, Financial Institutions Group Life Insurance, Financial Institution Group Accidental Death and Dismemberment (“**AD&D**”), Individual AD&D, Individual Disability Income, Group Mortgage Insurance, individual 1, 10, 15, 20, 30 year renewable term insurance Policies, 15 year convertible and non-renewable term insurance Policies and return of premium term Policies and retained asset accounts in each case regardless of when issued, (3) any other kind of Policy or contract, whenever issued or whenever in force, which is not an individual life insurance Policy as described above, in each case regardless of when issued, and (iv) riders, additional benefit provisions, dividend accumulations and options with respect to any of these items, in each case regardless of when issued.

Whole life Policies issued as a conversion from term insurance will be included in the Closed Block if converted before the Plan Effective Date and will be excluded if converted on or after the Plan Effective Date. The fact that a Policy is included in the Closed Block has no bearing on whether the Owner of that Policy is entitled to receive consideration under the Plan or the amount of consideration allocated to the Eligible Policyholder.

Excluded Policies that are participating Policies shall continue to be participating Policies and will be entitled to dividends in accordance with their terms, the past practices of SBLI USA and New York law. With respect to dividend-paying term life Policies, including 5-Year Renewable Term Policies and 20-Year, 25-Year and 30-Year Decreasing Term Policies that are not in the Closed Block, SBLI USA shall not change the 2013 dividend scales after the Plan Effective Date unless the Superintendent’s prior approval is obtained.

### ***Purpose of the Closed Block***

The Closed Block is designed to give reasonable assurance to Owners of Policies included in the Closed Block that Policy dividends will be paid in accordance with the dividend scales in effect in 2013 following the sponsored demutualization assuming that the experience underlying such 2013 dividend scales continues, and for appropriate adjustments in such dividend scales if the experience changes. The Closed Block does not guarantee a continuation of the dividend scale. If over time the experience of the Closed Block is more favorable than the assumptions underlying the dividend scale in effect in 2013, total dividend payments will be higher. If over time the experience of the Closed Block is less favorable than the assumptions underlying that dividend scale, total dividend payments will be lower. In the current market, rates of return on investments are lower than the investment earnings rate underlying the dividend scale in effect in 2013.

The board of directors will set the dividends on the Policies in the Closed Block annually, in accordance with applicable law and consistent with the objective of minimizing tontine effects and exhausting the assets of the Closed Block with the final payment made with respect to the last Policy included in the Closed Block. SBLI USA will retain an independent actuary to review the operations of the Closed Block every five years as required by the Plan. Additionally, SBLI USA will review the operation of, and prepare an internal report regarding, the investment operations of the Closed Block annually. The Closed Block will continue in effect until the last Policy in the Closed Block is no longer In Force. Under the Plan, dividends on the Policies in the Closed Block are to be apportioned annually in accordance with applicable law and with the objective of minimizing any windfall to a particular Policyholder and exhausting assets of the Closed Block with the final payment with respect to the last Policy contained in the Closed Block.

### ***Assets of the Closed Block***

The Closed Block Memorandum, attached as Schedule 2 to the Plan, describes the operation of the Closed Block, including the assets of SBLI USA that will be allocated to the Closed Block. SBLI USA anticipates that the amount of assets to be allocated to the Closed Block will be \$909,144,185 as of September 30, 2012. None of the assets, including the revenue therefrom, allocated to the Closed Block or subsequently acquired by the Closed Block will revert to the benefit of the shareholder of SBLI USA. SBLI USA will pay all guaranteed benefits on the Policies contained in the Closed Block in accordance with the terms of each Policy. The assets located in the Closed Block are SBLI USA's assets and are subject to the same liabilities (in the same priority) as all assets in SBLI USA's general account.

### ***Actuarial Opinion***

SBLI USA has retained Marc Slutzky, an independent actuary from the firm of Milliman, Inc., to opine on whether or not the assets set aside to establish the Closed Block are adequate and appropriate to meet the objective of the Closed Block, among other things. The written opinion of Mr. Slutzky is included in this policyholder information booklet at Annex D.

### **Amendments of Charter and By-Laws**

SBLI USA plans to amend its charter and by-laws on the closing date of the sponsored demutualization to reflect, among other things, SBLI USA's new status as a stock company. These amendments of the charter and by-laws of SBLI USA are among the transactions contemplated by the Plan and a vote of Policyholders to approve the Plan will also act to approve the amendments of the charter and by-laws of SBLI USA.

### **Conditions to the Plan Becoming Effective**

In order for the Plan to become effective, the following conditions, among others, must be met:

- the Superintendent must approve the Plan, the issuance of the capital note, the redemption of SBLI USA's common stock and the acquisition of control of SBLI USA;
- the Policyholders must approve the Plan; and
- all of the conditions to the closing of the Merger Agreement must be satisfied or waived in accordance with their terms.

## ELIGIBILITY TO VOTE AND RECEIVE POLICYHOLDER CONSIDERATION

*Note: This policyholder information booklet includes ballot materials which contain information related to the Policyholder vote as well as instructions on how to vote on the Plan. See "Voting" below for additional information and instructions on how to vote on the Plan.*

### General

In general, policyholders of a mutual insurance company have Membership Interests that give rise to the right to vote on various matters (including certain extraordinary transactions such as demutualizations and the election of directors) and the right to receive a portion of any remaining surplus (total assets minus total liabilities) if the mutual company is ever liquidated. The rules described below explain who is eligible to vote on, and receive consideration pursuant to, the Plan.

Your Membership Interests are derived from your ownership of an SBLI USA Policy. In order for you to be eligible to vote on the Plan and to receive consideration as a result of the Plan, you must have been, on the Plan Adoption Date, the Owner of one or more Policies which were then In Force and which, with respect to receipt of consideration but not voting, remain In Force on the Plan Effective Date. Thus, you are eligible to vote on the Plan if you owned a Policy that was In Force as of the close of business on July 8, 2014 (the date as of which the Plan was unanimously approved by the board of directors).

### Voting

To become effective, the Plan must be approved by at least two-thirds of the Policyholders who vote on the Plan. If you were a Policyholder on the Plan Adoption Date, you are entitled to one vote on the Plan, regardless of the number or size of the Policies you own, unless those Policies are held in different capacities (such as an individual who holds one Policy in his or her name and also holds another Policy as a trustee).

**Use the BALLOT enclosed in this package. You can vote by mail, in person or by proxy.**

Your ballot should be returned by mail to ASTFS Proxy Services, P.O. Box 296, Lyndhurst, NJ 07071-9938. A postage pre-paid envelope is enclosed for your use. Mailed ballots (including those voted by a proxy agent) must be received by 4 p.m., Eastern Time, on August 28, 2014 in order to be counted. If you need instructions regarding voting by proxy, please call our Demutualization Information Center toll free at 1-866-390-3665 from 10 a.m. to 3 p.m., Eastern Time, Monday through Friday until August 28, 2014. Policyholders who want to cast their ballots in person may do so at the headquarters of SBLI USA, 460 West 34th Street, Suite 800, New York, New York 10001, from 10 a.m. to 4 p.m., Eastern Time, on August 28, 2014.

Your ballot is to be marked with a vote either "YES", for approval of the Plan and the transactions contemplated by the Plan and the Merger Agreement, or "NO", against approval of the Plan and the transactions contemplated by the Plan and the Merger Agreement. An unmarked ballot or a ballot showing a vote both "YES" and "NO" will not count and will not be regarded as a vote cast.

**The board of directors unanimously adopted the Plan as of July 8, 2014 and found the Plan to be fair and equitable to Policyholders. The board of directors recommends that you vote YES, for approval of the Plan and the transactions contemplated by the Plan and the Merger Agreement.**

### Policies

The Plan governs which Policyholders will be eligible to vote on the Plan and receive consideration in connection with the Plan. To be eligible to vote, you must have owned a Policy that was In Force as of the close of business on July 8, 2014. To receive consideration, such Policy must remain In Force on the Plan Effective Date. The Plan defines "Policy" to include:

- (i) a life insurance policy (including, without limitation, a pure endowment contract), annuity contract or accident and health insurance policy authorized pursuant to paragraph (1), (2) or (3) of Section 1113(a) of the New York Insurance Law that has been issued by SBLI USA;
- (ii) a certificate issued to the person covered under any of SBLI USA's financial institution group life, group mortgage life, or financial institution group accidental death and dismemberment insurance policies issued to a financial institution or trust established by SBLI USA for the purpose of providing coverage under such insurance policies to individuals; and

- (iii) a certificate issued to the person covered under any of SBLI USA's group life or accident and health insurance policies issued to an association or to the trustees of a trust established, or participated in, by one or more associations to insure association members.

For Policies of the type referred to above in (ii), the financial institution or trustee of any such trust established by SBLI USA shall not be a voting Policyholder or an Eligible Policyholder or an Owner for the financial institution group life or accident and health insurance policy issued.

For Policies of the type referred to above in (iii), any such association or the trustee of any such trust shall not be a voting Policyholder or an Eligible Policyholder or an Owner for the group life or accident and health insurance policy issued.

### **Determination of Ownership**

For purposes of voting and receiving consideration, your ownership of a Policy as of any date is determined based on the records (the "**Company Records**") of SBLI USA.

The following rules apply in determining whether you are the owner (the "**Owner**") of a Policy:

- In general, you are the Owner of an individual insurance policy or annuity contract if you are the person specified in the policy or contract as the owner or contract holder, unless no owner or contract holder is so specified, in which case (1) the Owner of a Policy that is an individual policy of life insurance or of accident and health insurance shall be deemed to be the Person insured, if such Policy was issued upon the application of such Person, or the Person who effectuated such Policy, if such Policy was issued on the application of a Person other than the Person insured, and (2) the Owner of a Policy that is an annuity or pure endowment contract shall be deemed to be the Person to whom such Policy is payable by its terms, exclusive of any beneficiaries, contingent owners or contingent payees.
- In general, and subject to the exceptions described in the Plan, the Owner of a group insurance Policy shall be the person or persons specified in the master Policy as the Policyholder, unless no Policyholder is so specified, in which case the Owner shall be the person or persons to whom or in whose name the master Policy shall have been issued and held, as shown on the Company Records.
- The Owner of a certificate issued to the Person covered under any of SBLI USA's financial institution group life, group mortgage life, or financial institution group accidental death and dismemberment insurance policies issued to a financial institution or trust established by SBLI USA for the purpose of providing coverage under such insurance policies to individuals shall be determined in the same way as the Owner of an individual insurance policy or annuity. The financial institution or trustee of any such trust established by SBLI USA shall not be an Owner for the financial institution group life or accident and health insurance policy issued.
- The Owner of a certificate issued to the Person covered under any of SBLI USA's group life or accident and health insurance policies issued to an association or to the trustees of a trust established, or participated in, by one or more associations to insure association members shall be determined in the same way as the Owner of an individual insurance policy or annuity. Any such association or the trustee of any such trust shall not be an Owner for the group life or accident and health insurance policy issued.
- If you own Policies in more than one capacity (for example one Policy is held by you personally and a second Policy is held by you as a trustee), you are treated as a separate Owner for each Policy.
- In no event may there be more than one Owner of a Policy, although more than one person may constitute a single Owner. When one Policy has more than one person specified in such Policy as the owner or as the holder of rights (other than the right to dividend values, to designate or change a beneficiary, to elect or change a settlement or dividend option or to assign or change a designation of rights under the Policy), and other than the rights of a collateral assignee, none of which constitutes ownership rights under a Policy) or who would otherwise be treated as an Owner, all such Persons shall be deemed, collectively, to be the single Owner of such Policy, and to be entitled to a single vote as a voting Policyholder. In the event that different persons own Policies as trustees for the same trust as shown by the tax identification numbers associated with such persons in the Company Records, the trust (and not such persons) shall be deemed one Owner.

Notwithstanding the above, the Owner of a Policy that has been assigned to another person by an assignment of ownership thereof absolute on its face and filed with SBLI USA in accordance with the provisions of such Policy and SBLI USA's rules with respect to the assignment of such Policy in effect at the time of such assignment shall be the assignee of such Policy as shown on Company Records and, accordingly, shall be treated as the Eligible Policyholder for purposes of receiving the Policyholder Consideration. Unless an assignment satisfies the requirements specified for such an assignment as specified within this paragraph, the determination of the Owner of a Policy shall be made without giving effect to such assignment.

Under the Plan, any dispute as to the identity of the Owner of a Policy or the right to vote or receive consideration shall be resolved in accordance with procedures acceptable to the Superintendent and, if applicable, Section 7312(k)(4). Subject to this requirement, in any situation not expressly covered by provisions for determining ownership enumerated in the Plan, the determination of the identity of the Owner of a Policy must be made in good faith by SBLI USA on the basis of its records, and, except for *bona fide* administrative errors, SBLI USA may not examine or consider any other facts or circumstances.

In the event that the Owner(s), any successor(s) specified in the Policy and any other Person(s) who would otherwise be deemed to be the Owner under certain provisions of the Plan have all died, then the Owner shall be deemed to be the insured under the Policy.

### **In Force**

Whether your Policy is in force ("**In Force**") is determined based on the Company Records. In general, your Policy is In Force as of any date if, as shown on the Company Records on such date, the date specified in such Policy as the date such Policy commences (the "**Policy Date**") occurs on or prior to such date, and as of such date the required premium has been received by SBLI USA and such Policy, as shown on the Company Records on such date, has not matured by death or otherwise or been surrendered or otherwise terminated; provided that (1) a Policy that is a life insurance policy shall be deemed to be In Force after lapse for nonpayment of premiums during any applicable grace period or other similar period however denominated as administered by SBLI USA and, if applicable, for so long as it continues as reduced paid-up insurance or as extended term insurance on the records of SBLI USA, (2) except as otherwise provided below, a Policy that is a supplementary contract or other settlement option issued in settlement of proceeds under any of the SBLI USA's insurance policies or annuity contracts shall be deemed to be In Force in accordance with its effective date as shown on the Company Records on any determination date, without regard to any prior period during which a predecessor Policy was In Force, (3) a Policy that has been reinstated after not being In Force shall be deemed to be In Force commencing on the date of reinstatement of the reinstated Policy, as shown on the Company Records, without regard to any prior period during which such Policy was In Force, unless both the termination of the Policy and its reinstatement occurred between the Plan Adoption Date and the Plan Effective Date, in which case the Policy shall be deemed, for purposes of the Plan, to have been continuously In Force during the period between the Plan Adoption Date and the Plan Effective Date, (4) a Policy that is an individual life insurance policy issued with preliminary term insurance shall be deemed to be In Force on the Policy Date of the individual life insurance policy, and (5) an individual Policy shall not be deemed to be In Force on any date if on that date the Policy has terminated and SBLI USA's only obligations with respect to such Policy are to the policyholder of such Policy on disability under such Policy or are for unpaid claims incurred under such Policy prior to its termination.

If a new Policy has been issued as a result of the exercise of a right under a predecessor Policy, such new Policy shall be deemed to be In Force in accordance with its Policy Date, without regard to the Policy Date of the predecessor Policy. A Policy that is a supplementary contract or other settlement option issued in settlement of proceeds under an annuity contract in the following instance shall be deemed to be In Force in accordance with the Policy Date of the predecessor Policy under which said proceeds were payable: maturity settlement of fixed and flexible premium retirement annuity contracts for which the annuitant accepts the default settlement option of life income with ten years certain on maturity. A Policy shall not be deemed to be In Force until it is issued, notwithstanding that temporary insurance upon the application for such Policy may have been In Force prior to the Policy Date of such Policy. A Policy shall not be deemed to have matured by death as of any date unless notice of such death has been received by SBLI USA on or prior to such date, as shown on the Company Records. The date of the surrender or lapse of a Policy shall be as shown on the Company Records.

Each certificate that evidences coverage under a group or master Policy issued to the Person covered (a "**Certificate**") under any of SBLI USA's financial institution group life, group mortgage life, or financial institution group accidental death and dismemberment insurance policies issued to a financial institution or trust established by SBLI USA for the purpose of providing coverage under such insurance policies to individuals shall be deemed to be In Force as of any date if, as shown on the Company Records on such date, such Certificate's Policy Date occurs on or prior to such date and such Certificate has not terminated on or before such date. Each Certificate issued to the Person covered under any of SBLI USA's group life or accident and health insurance policies issued to an association or to the trustees of a trust established, or participated in, by one or more associations to insure association members shall be deemed to be In Force as of any date if, as shown on the Company Records on such date, such Certificate's Policy Date occurs on or prior to such date and such Certificate has not terminated on or before such date.

## PRINCIPAL TERMS OF THE MERGER AGREEMENT

*The following is a summary of certain material terms of the Merger Agreement and is qualified in its entirety by reference to the complete text of the Merger Agreement, which is available upon request from SBLI USA. See "Available Information."*

### Approval of the Plan of Reorganization

Pursuant to the Merger Agreement, a draft of the Plan was submitted to the Superintendent on November 27, 2013, March 20, 2014, May 7, 2014, June 23, 2014, July 5, 2014 and thereafter formally filed with the Department. The SBLI USA board of directors adopted the Plan as of July 8, 2014. In accordance with the Merger Agreement, SBLI USA prepared and submitted this policyholder information booklet to the Superintendent, and the Policyholders are being asked to approve the Plan.

### Merger; Closing

Unless the Merger Agreement is terminated (see "*Principal Terms of the Merger Agreement – Termination*"), subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, the closing of the Merger will take place on the fifth business day after all such conditions are satisfied or waived, or on such other date as shall be agreed in writing by the parties.

At the closing, the parties to the Merger Agreement will cause the Merger to be consummated by filing a certificate of merger with the Delaware Secretary of State. In addition, pursuant to the Plan and the Merger Agreement, Prosperity and SBLI USA have designated the Paying Agent for purposes of effecting the distribution of the Policyholder Consideration to Eligible Policyholders. Prosperity will cause Acquisition LLC to deliver to the Paying Agent an amount equal to \$28.5 million as the Merger consideration and cause a subsidiary of Prosperity to deliver to SBLI USA \$7.5 million to pay for the capital note. SBLI USA will repurchase \$7.5 million of its shares from Holdco and Holdco will redeem a like amount of its limited liability company interests from the Paying Agent (acting on behalf of the Eligible Policyholders for this purpose). In addition, upon the closing of the Merger, Prosperity will cause Acquisition LLC to reimburse SBLI USA for up to \$4 million of reasonable third-party costs and expenses incurred by SBLI USA on its own behalf and on behalf of the Department in connection with the sponsored demutualization. See "*Principal Terms of the Merger Agreement – Reimbursement of Expenses by Prosperity Upon Closing.*"

### Consideration

The aggregate Policyholder Consideration is \$36 million in cash.

### Conversion Procedures

Within 60 days after the closing date, the Paying Agent will distribute to each Eligible Policyholder by check the amount of the Policyholder Consideration that is allocated to such Eligible Policyholder. All cash that remains undistributed six months after the closing date will be delivered to Prosperity by the Paying Agent. Subject to applicable abandoned property, escheat and similar laws, each Eligible Policyholder who has not yet received the consideration to which it is entitled may look to Prosperity for payment.

### Representations and Warranties

SBLI USA made customary representations and warranties in the Merger Agreement on behalf of itself and its subsidiaries that are subject, in some cases, to certain qualifications (including qualifications as to knowledge, materiality, time and dollar amount) and are further modified and limited by a disclosure schedule provided by SBLI USA to Prosperity at the time the Merger Agreement was executed. These representations and warranties relate to corporate, financial and operational matters and include, among other things:

- the corporate organization, good standing and similar corporate matters of SBLI USA, including its qualification to do business under applicable laws and authority to enter into the Merger Agreement;
- certain financial statements of SBLI USA and its subsidiaries, and the sufficiency of internal accounting controls;
- the absence of certain changes to SBLI USA and its subsidiaries since December 31, 2011;
- threatened or outstanding litigation against SBLI USA or its subsidiaries;
- compliance with applicable law and regulatory matters and possession of necessary licenses;

- the investment assets of SBLI USA and its subsidiaries;
- the computation of SBLI USA’s insurance reserves and the adequacy of such reserves;
- reinsurance agreements;
- the accuracy of information included in the policyholder information booklet; and
- the due authorization and valid issuance of the shares of SBLI USA to be issued in the sponsored demutualization and other transactions described in this policyholder information booklet and the Plan.

Prosperity also made customary representations in the Merger Agreement that also are subject to certain qualifications and a disclosure schedule provided by Prosperity to SBLI USA. These representations and warranties relate to, among other things, certain corporate matters and the accuracy of information with respect to Prosperity included in this policyholder information booklet.

Several of the representations, warranties and covenants contained in the Merger Agreement relating to SBLI USA and its subsidiaries refer to the concept of a “material adverse effect.” For purposes of the Merger Agreement, a “material adverse effect” with respect to SBLI USA and its subsidiaries means a material adverse effect on the business, results of operations, assets, liabilities, or financial or other conditions of SBLI USA and its subsidiaries, taken as a whole and subject to certain exclusions as detailed in the Merger Agreement, or on the ability of SBLI USA to perform its obligations under the Merger Agreement or to consummate the transactions contemplated thereby.

### **SBLI USA Interim Operating Covenants**

SBLI USA is subject to numerous covenants in the Merger Agreement relating to the conduct of its business prior to the completion of the sponsored demutualization. SBLI USA has agreed that it and its subsidiaries will, among other things:

- conduct their business in the ordinary course consistent with past practice (except as otherwise set forth in the Merger Agreement) and in accordance with sound business practices;
- promptly advise Prosperity of any material adverse change in their condition (financial or otherwise), assets, liabilities, earnings or business, or of any breach of or default under or failure to comply with any permit, material contract, license or applicable law, or of any litigation that might reasonably be expected to materially adversely affect SBLI USA or any of its subsidiaries or the consummation of the transactions contemplated by the Merger Agreement;
- use commercially reasonable efforts to preserve their business organizations intact and maintain their existing relations and goodwill with customers, suppliers, reinsurers, distributors, creditors, lessors, employees, producers and business associates; and
- have discussions with Prosperity with respect to their policies regarding reserves for insurance, litigation and restructuring charges.

In addition, SBLI USA has agreed that it and its subsidiaries will not, among other things:

- issue, sell or pledge any equity interest in any of their subsidiaries, amend their charters or organizational documents or declare or pay any policyholder dividend in 2012, 2013 or 2014 except for policyholder dividends in the ordinary course of business in accordance with SBLI USA’s 2012 and 2013 dividend scales or 2014 dividend scales assuming the 2014 dividend scale is the same as 2013 and consistent with a disclosure provided to Prosperity by SBLI USA;
- take any action that would reasonably be expected to cause any closing condition not to be satisfied or to have a material adverse effect on SBLI USA; or
- offer or sell insurance, annuities or reinsurance of any type other than the lines of insurance, annuities and reinsurance that were sold on the date of the Merger Agreement or lines that are substantially similar to such lines.

## Restrictions Relating to Other Transactions

The Merger Agreement provides that SBLI USA will not (1) solicit, initiate or knowingly encourage or take any other action designed to facilitate any inquiries or the making of any proposal that, if consummated, would constitute an Alternative Transaction; (2) enter into or participate in any discussions or negotiations regarding an Alternative Transaction; or (3) furnish to any third party any material non-public information regarding SBLI USA in connection with any inquiry, expression of interest, offer or proposal with respect to an Alternative Transaction. The Merger Agreement defines an “Alternative Transaction” to mean:

- a transaction pursuant to which any person (other than Prosperity or its affiliates), directly or indirectly acquires or would acquire more than 10% of the outstanding shares of SBLI USA (after giving effect to a demutualization of SBLI USA) or of the outstanding voting power of any new class or series of SBLI USA that would be entitled to a class or series vote on a merger;
- a merger, sale of assets, bulk reinsurance, affiliation, sale of capital stock or other business combination of SBLI USA or its subsidiaries;
- any transaction pursuant to which a person would acquire more than 10% of the fair market or book value of the assets, net revenues or net income of any SBLI USA company; or
- any other consolidation, business combination, reorganization, recapitalization or similar transaction involving SBLI USA (except as contemplated by the Merger Agreement).

Except as set forth below, the board of directors may not withdraw, modify or qualify any recommendation by the board of directors of the Merger Agreement and/or the sponsored demutualization, take any action that is inconsistent with such recommendation, approve or recommend, or fail to recommend against, an Alternative Proposal (as defined in the Merger Agreement) (each of the foregoing, a “**Change of Recommendation**”), or enter into an agreement with respect to an Alternative Proposal (other than a confidentiality agreement of the type contemplated by the Merger Agreement). Prior to the date Eligible Policyholders vote on the Plan, the board of directors may make a Change of Recommendation if:

- it receives an unsolicited, bona fide written Alternative Proposal after the date of the Merger Agreement;
- it has disclosed to Prosperity the identity of the person submitting the Alternative Proposal and provided a copy of the Alternative Proposal to Prosperity at least five business days prior to the earlier of (1) disclosure of the Alternative Proposal to the Department or (2) consideration of the Alternative Proposal by the board of directors (with any material amendment of such Alternative Proposal requiring a new five business day notice);
- it determines in good faith (after receiving advice from outside legal counsel and financial advisers) that such Alternative Proposal is a Superior Proposal (as defined in the Merger Agreement) and that the failure to effect a Change of Recommendation would reasonably be likely to result in a breach of its fiduciary duties to policyholders under New York law;
- Prosperity has received at least five business days’ notice of such proposed Change of Recommendation; and
- during such notice period SBLI USA and its representatives shall have negotiated in good faith with Prosperity to make adjustments in the terms and conditions of the Merger Agreement such that the Alternative Proposal would no longer constitute a Superior Proposal.

## Indemnification of SBLI USA’s Directors and Officers

From and after the closing, Prosperity will cause SBLI USA to indemnify, to the fullest extent permitted by applicable law, its current and former directors and officers in respect of acts or omissions occurring at or prior to the closing.

For a period of six years after the closing, SBLI USA’s organizational documents are required to contain provisions no less favorable to SBLI USA’s directors and officers with respect to exculpation and indemnification than were set forth in SBLI USA’s organizational documents at the closing date.

Immediately prior to the closing, SBLI USA will purchase a single payment run-off policy of directors' and officers' liability insurance that covers the directors, officers and employees of SBLI USA and its subsidiaries. The aggregate premiums paid for such coverage may not exceed \$1.2 million.

### **Employee Benefit Matters**

For a one-year period after the closing date, Prosperity will cause SBLI USA and its subsidiaries to provide all individuals who are employed by SBLI USA and its subsidiaries with base salary and benefits that are comparable to those provided by SBLI USA and its subsidiaries on June 30, 2012. This obligation does not extend to SBLI USA's officers and directors and is conditioned upon compliance with certain interim operating covenants contained in the Merger Agreement.

### **Additional Covenants of Prosperity and SBLI USA**

The Merger Agreement contains certain other covenants, including covenants relating to the filings to be made with governmental agencies and obtaining consents and approvals, public announcements, confidentiality, supplemental disclosure, access to information and the information provided in the policyholder information booklet.

### **Conditions to Closing**

#### ***Mutual Closing Conditions***

The obligations of each of the parties to the Merger Agreement to effect the closing are subject to the satisfaction or waiver on or prior to the closing date of the following conditions:

- the Plan and the transactions contemplated by the Merger Agreement shall have been approved by the Superintendent and the Policyholders;
- the capital note shall have been approved by the Superintendent;
- all approvals or consents of governmental entities listed in both parties' disclosure schedules shall have been obtained;
- no statute, rule, regulation, order or injunction shall have been enacted, issued or promulgated by any governmental entity which prohibits, restricts or makes illegal the consummation of the closing of the Merger;
- no governmental entity shall have instituted any suit or investigation which seeks to prevent the closing of the Merger;
- no temporary restraining order, preliminary injunction or permanent injunction shall prevent the consummation of the closing; and
- the Plan shall have become effective.

#### ***Conditions to Obligations of Prosperity and Acquisition LLC***

The obligations of Prosperity and Acquisition LLC to effect the closing also are subject to the satisfaction (or waiver) on or prior to the closing date of the following conditions:

- no governmental entity shall have imposed any condition on any approval, consent or similar document required in connection with the closing that (1) contains any material limitations or requirements or conditions on Prosperity or its affiliates or the operation of SBLI USA's business, (2) amends, supplements or modifies the initial cash consideration of \$36 million (the Policyholder Consideration), or Prosperity's reimbursement of SBLI USA's sponsored demutualization expenses, (3) varies in any material respect any other financial or economic terms or any other material terms of the Merger Agreement or (4) materially and adversely affects the economic value or benefits Prosperity reasonably expects to receive from the Merger Agreement;
- SBLI USA and Holdco (1) shall have performed or complied in all material respects with their obligations, covenants and agreements to be performed or complied with prior to the closing date and (2) the representations and warranties of SBLI USA and Holdco shall be true and correct on the date made and as of the closing date as applicable; provided that the failure of any such representations and warranties to be true and correct would not reasonably be expected to have a

material adverse effect on SBLI USA or Prosperity or any of its affiliates, disregarding any qualification as to “materiality” or “material adverse effect”;

- Prosperity shall have received an officer’s certificate as to the articles of incorporation and by-laws of SBLI USA, the limited liability company agreement and certificate of formation of Holdco and the resolutions of the board of directors with respect to the Merger Agreement and the Plan;
- Prosperity shall have received from SBLI USA and Holdco a certificate of non-foreign status;
- Prosperity shall have received all documents it reasonably requests demonstrating the valid existence and good standing of SBLI USA and its subsidiaries and the authority of SBLI USA and Holdco to enter into and consummate the transactions contemplated by the Merger Agreement and the Plan;
- no statute, rule, regulation, order, decree or injunction shall have been, or shall reasonably be expected to be, enacted, entered into, promulgated or enforced by any governmental entity which would reasonably be expected to materially and adversely affect the benefits that Prosperity is reasonably likely to receive for the transactions contemplated by the Merger Agreement;
- the Plan approved by the Superintendent shall fully satisfy all of the requirements of applicable law governing the sponsored demutualization, and shall conform to the draft of the Plan submitted to the Department or subsequent drafts consented to by Prosperity;
- since December 31, 2011, SBLI USA shall not have suffered a material adverse effect, and there shall not have been any events, occurrences, developments or state of circumstances or facts which, individually or in the aggregate, have or would reasonably be expected to have a material adverse effect on SBLI USA or Holdco;
- Prosperity shall have confirmed that SBLI USA’s investment portfolio does not have more than \$25 million of net unrealized investment losses as of the closing date;
- Prosperity shall have confirmed that  $A + B - C$  is greater than \$77 million and that  $B - C$  is not greater than \$25 million where:
  - (i) “A” is equal to the absolute value of SBLI USA’s statutory surplus plus its asset valuation reserve as of its most recent annual or quarterly statutory financial statement;
  - (ii) “B” is equal to the absolute value of the aggregate gross realized capital loss incurred by SBLI USA in mortgage-backed securities between December 31, 2011 and the date of such annual or quarterly statutory financial statement; and
  - (iii) “C” is equal to the absolute value of the aggregate gross change in net unrealized capital losses incurred by SBLI USA between December 31, 2011 and the date of such annual or quarterly statutory financial statement;
- each of the directors of SBLI USA and its subsidiaries shall have resigned;
- no catastrophic market event (referred to as a September 11-type event) shall have occurred and be continuing on the closing date;
- Prosperity shall have received certain tax and customary legal opinions;
- if SBLI USA or any of its insurance company subsidiaries have negative unassigned surplus, its domiciliary insurance regulator shall have permitted the reset thereof;
- Prosperity shall have received a certificate from SBLI USA and Holdco to the effect that SBLI USA common stock and the limited liability interests of Holdco are not U.S. real property interests; and
- Prosperity shall have received an updated disclosure schedule for SBLI USA.

### ***Conditions to Obligations of SBLI USA and Holdco***

The obligations of SBLI USA and Holdco to effect the closing also are subject to the satisfaction (or waiver) on or prior to the closing date of the following conditions:

- Prosperity and Acquisition LLC (1) shall have performed and complied in all material respects with their obligations, covenants and agreements to be performed and complied with prior to the closing date and (2) the representations and warranties of Prosperity and Acquisition LLC shall be true and correct on the date made and as of the closing date if applicable; provided, that the failure of any such representations and warranties to be true and correct would not reasonably be expected to have a material adverse effect on SBLI USA, Holdco or Prosperity or any of their affiliates, disregarding any qualification as to “materiality” or “material adverse effect.”

### **Termination**

The Merger Agreement may be terminated at any time prior to the closing:

- by Prosperity, if SBLI USA enters into an agreement, letter of intent or other arrangement contemplating the effectuation of an Alternative Transaction or a Superior Proposal, or by SBLI USA in order to enter into an agreement with respect to a Superior Proposal;
- by Prosperity, if the board of directors shall have made a Change of Recommendation;
- by Prosperity, if a third party obtains the right to elect a majority of the board of directors or managing members of any SBLI USA company or the right to control 10% or more of the voting shares or other equity interests of any SBLI USA company;
- by any party to the Merger Agreement, if the Plan or the Merger Agreement shall fail to be approved by applicable governmental entities, or the Plan shall fail to be approved by the Policyholders;
- by Prosperity, if SBLI USA or Holdco shall suffer, or be reasonably expected to suffer, a material adverse effect;
- by Prosperity, if SBLI USA or Holdco shall have materially breached the Merger Agreement, which breach would reasonably be expected to result in a failure of the applicable closing condition, and such breach is either not curable or is not cured within 30 days after appropriate notice;
- by SBLI USA, if Prosperity or Acquisition LLC shall have materially breached the Merger Agreement, which breach would reasonably be expected to result in a failure of the applicable closing condition, and such breach is either not curable or is not cured within 30 days after appropriate notice;
- by any party to the Merger Agreement, if consummation of the closing becomes prohibited under applicable law;
- by any party to the Merger Agreement, if the Merger has not been consummated on or before December 31, 2014;
- by any party to the Merger Agreement, if it becomes impossible for any of the conditions precedent to the Merger to be satisfied on or before December 31, 2014; or
- by mutual written agreement of SBLI USA and Prosperity.

In addition, Prosperity was able to terminate the Merger Agreement had the Plan not been formally filed with the Superintendent by January 31, 2014, because the board of directors had not adopted the Plan by that date. Prosperity waived this filing requirement in the Merger Agreement provided that the Plan was filed on or before July 31, 2014. The Plan was adopted by the board of directors as of July 8, 2014 and shortly thereafter formally filed with the Superintendent.

## Payment of Fees

In the event the Merger Agreement is terminated:

- (i) by Prosperity, if SBLI USA enters into an agreement with respect to an Alternative Transaction or a Superior Proposal, or by SBLI USA, in order to enter into an agreement with respect to a Superior Proposal;
- (ii) by Prosperity, if the board of directors has made a Change of Recommendation;
- (iii) by Prosperity, if a third party obtains the right to elect a majority of directors of SBLI USA or the right to control 10% or more of the voting stock of SBLI USA or any of its subsidiaries;
- (iv) by Prosperity or SBLI USA, if the Plan fails to receive regulatory approval;
- (v) by Prosperity or SBLI USA, if the consummation of the closing under the Merger Agreement is prohibited by applicable law; or
- (vi) by Prosperity or SBLI USA, if it becomes impossible for any of the conditions precedent to the Merger to be satisfied on or before December 31, 2014;

and, within 12 months after the termination date, SBLI USA agrees to enter into an Alternative Transaction, then SBLI USA shall, subject to the Superintendent's approval, cause the person entering into the Alternative Transaction with SBLI USA to pay Prosperity, at the closing of such Alternative Transaction, an amount of liquidated damages equal to 3% of the sum of the Policyholder Consideration.

In addition, if the Merger Agreement is terminated pursuant to clauses (i) - (vi) above, or if the Merger Agreement is terminated by Prosperity because (a) there has been an uncured or incurable material breach of the Merger Agreement by SBLI USA or Holdco of their respective obligations, covenants, agreements, representations or warranties set forth in the Merger Agreement, which would reasonably be expected to result in a failure of the "bring-down" condition related thereto, or (b) the Plan has not been formally filed by the agreed upon date, then SBLI USA, subject to the Superintendent's approval, will pay Prosperity's reasonable third-party costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby, provided, however, that SBLI USA's obligation to reimburse Prosperity shall be subject to a cap of \$1.25 million if (1) the Merger Agreement is terminated pursuant to clauses (iv), (v) or (vi) above or (2) the Merger Agreement is terminated pursuant to clauses (a) or (b) above unless such breach of SBLI USA or Holdco resulting in such termination pursuant to clauses (a) or (b) was a result of SBLI USA's gross negligence, willfulness or bad faith, in which case the reimbursement obligation is not capped.

## Reimbursement of Expenses by Prosperity Upon Closing

If the closing of the Merger is consummated, Prosperity will reimburse SBLI USA an amount equal to the lesser of (1) \$4 million or (2) the reasonable third-party costs and expenses incurred by SBLI USA, plus any costs and expenses paid by SBLI USA on behalf of the Superintendent, in connection with the sponsored demutualization.

## OPINIONS OF FINANCIAL ADVISER AND ACTUARIES

### Opinion of Financial Adviser to SBLI USA

#### *Engagement of Sherman & Company*

SBLI USA engaged Sherman & Company as an independent financial adviser for the specific purpose of providing a fairness opinion. Sherman & Company was not engaged to provide any other services in connection with the sponsored demutualization, nor did it contact prospective buyers, evaluate proposals, or negotiate agreements related to the proposed transaction; this service was provided by a separate financial adviser to SBLI USA.

On November 22, 2013, Sherman & Company delivered a written opinion to the board of directors of SBLI USA that, as of that date, and based upon and subject to the assumptions made, matters considered, qualifications and limitations set forth in the written opinion (which are described below), the consideration to be received by the Policyholders, taken in the aggregate, in connection with the reorganization pursuant to the Plan and the sale pursuant to the Merger Agreement is fair, from a financial point of view.

The full text of the written opinion of Sherman & Company, which sets forth assumptions made, matters considered and qualifications and limitations on review undertaken by Sherman & Company is attached to this policyholder information booklet as Annex C and is incorporated into this policyholder information booklet by reference. The following summary of Sherman & Company's opinion is qualified by reference to the full text of the opinion.

The opinion does not constitute a recommendation by Sherman & Company of the sponsored demutualization, nor does it include an evaluation of the business rationale to accept or reject the sponsored demutualization, or accept or reject any previously proposed transaction, nor does it evaluate or consider the merits of strategic alternatives available to SBLI USA, or any terms or other aspects of the sponsored demutualization (other than as expressly specified in the opinion). The board of directors did not ask Sherman & Company to evaluate, and Sherman & Company has not made any recommendation as to, whether the sponsored demutualization is superior to any other proposal received by SBLI USA. Sherman & Company's opinion makes no recommendation to the Policyholders as to whether to vote in favor of or against the sponsored demutualization. Sherman & Company has not expressed any opinion about the fairness of the amount or nature of any compensation to the officers, directors or employees of SBLI USA relative to the Policyholders. The board of directors did not ask Sherman & Company to express, and Sherman & Company did not express, any opinion as to which of the Policyholders are eligible to vote on or receive consideration in connection with the sponsored demutualization. The board of directors did not ask Sherman & Company to express, and Sherman & Company did not express, any opinion as to whether the method of reorganization proposed to be adopted by the board of directors was superior to any other method.

In the course of preparing its opinion, Sherman & Company reviewed certain publicly available information as well as information furnished to it by SBLI USA and its advisers. Sherman & Company:

- reviewed certain of SBLI USA's audited and unaudited consolidated and consolidating annual and quarterly financial reports, and statutory statements filed by the insurance subsidiaries of SBLI USA, each as provided to it by SBLI USA or its advisers, or as publicly available;
- reviewed certain unaudited financial information provided to it as draft information by SBLI USA in advance of its filing deadlines, which at the time of Sherman & Company's review represented SBLI USA's best estimate of results for any time period elapsed but not yet included in any of SBLI USA's audited financial reports, unaudited quarterly financial reports, or the statutory filing of any subsidiary;
- reviewed the Letter of Intent dated April 17, 2012, the Stock Purchase and Investment Agreement dated October 15, 2012 and the November 19, 2013 draft of the Merger Agreement;
- reviewed the draft Closed Block Memorandum dated February 20, 2013 and the draft Closed Block funding projection as of September 30, 2012;
- reviewed the draft Plan dated November 20, 2013;
- reviewed certain management-prepared internal analyses, financial forecasts and summary financial and other information as it deemed appropriate;
- held discussions with certain senior officers of SBLI USA;
- reviewed the documents and material provided by SBLI USA relating to the sponsored demutualization, and reviewed certain material prepared by actuarial and tax professionals engaged by SBLI USA;
- reviewed the aggregate reserves and liabilities for life insurance, accident and health insurance and deposit-type contracts as expressed in the financials and actuarial reviews, reports and analyses prepared by internal as well as third-party actuaries;
- consulted with KPMG Corporate Finance LLC and the management of SBLI USA to determine the process previously employed to facilitate a potential business combination transaction with SBLI USA;
- reviewed the pro forma projections of a post-acquisition SBLI USA as provided by SBLI USA; and
- performed various analyses and evaluations and examined other materials and information it considered appropriate.

In its review, Sherman & Company relied upon the completeness and the accuracy of the financial and other information publicly available and provided to it by the officers of SBLI USA and its advisers, and relied upon assurances of the officers of SBLI USA that they were not aware of any facts or circumstances that made such information inaccurate or misleading in any material respect. Sherman & Company did not undertake any independent verification of, nor did it assume responsibility for, the completeness or the accuracy of the information it reviewed. In connection with its opinion, Sherman & Company reviewed management-prepared forecasts, which it assumed were the best estimates available to management and were reasonably prepared based on good faith judgments by management.

Sherman & Company did not undertake any independent verification of the aggregate reserves for life contracts, aggregate reserves for accident and health contracts, or liabilities for deposit-type contracts, nor did it engage any third-party to evaluate such reserves or liabilities. Sherman & Company expressed no opinion relating to the establishment, methodology or operation of the Closed Block, or the sufficiency of the assets to be allocated to the Closed Block, or the future dividend experience of policies included in the Closed Block. Sherman & Company assumed the amount of assets allocated to the Closed Block would be sufficient. Sherman & Company did not undertake, and was not provided, any independent valuation or appraisal of the assets or liabilities of SBLI USA, nor did it evaluate the solvency or fair value of SBLI USA under the rules of bankruptcy or insolvency, nor did it undertake an independent determination of the surplus of SBLI USA.

The preparation of a fairness opinion is a complex and elaborate process that involves both quantitative and qualitative methods. In the preparation of its opinion, Sherman & Company used its judgment as investment bankers to determine the appropriate and relevant methods of financial analysis to be used and apply those analyses to the sponsored demutualization. In evaluating the sponsored demutualization, Sherman & Company used certain generally accepted and proven valuation techniques and conducted a level of due diligence that it deemed appropriate.

### ***Sherman & Company's Analysis***

Sherman & Company developed a valuation analysis of SBLI USA from which it derived an estimate of what it believed would be a reasonable range of amounts that SBLI USA would be worth, at a certain date, which it compared to the value to be received by the Eligible Policyholders in the Redemption and Merger. In determining its range of value, Sherman & Company replicated an expected value of what SBLI USA would be expected to sell for at the time of the valuation performed, assuming that SBLI USA had a salable structure. In the course of forming its opinion, Sherman & Company performed various generally accepted valuation and proven techniques, including the following:

- comparable publicly traded companies analysis;
- takeover premium analysis;
- precedent transactions analysis;
- embedded value analysis; and
- discounted cash flow analysis.

Sherman & Company noted that many companies that it used in its comparative analysis, while (in Sherman & Company's view) the most comparable available, were not identical to SBLI USA. Many of these companies were better rated, still producing new business, and may have had better financial metrics at the time of their transactions.

### ***Comparable Publicly Traded Companies Analysis***

Sherman & Company compared SBLI USA's performance and market valuation to certain life and health companies using publicly available information. All companies elected were publicly traded life and health companies with market capitalization equal to or less than \$300 million. In addition, no company was used as a comparable company that had been publicly announced as a takeover target.

The companies selected by Sherman & Company were:

- American Independence Corporation
- Independence Holding Company
- Investors Heritage Capital Corporation
- Phoenix Companies, Inc.
- Security National Financial Corporation
- UTG, Inc.

Sherman & Company noted that none of these companies was identical to SBLI USA. For the purposes of this analysis, Sherman & Company used two common valuation metrics: price to earnings per share (“**EPS**”) and price to generally accepted accounting principle equity value (“**book value**”). The calculated ratios and multiples were as follows:

	<b>Price / Book Value</b>	<b>Price / 2013 EPS</b>	<b>Price / 2014 EPS</b>
<b>High</b> .....	88.6%	12.2x	6.2x
<b>Mean</b> .....	61.6%	12.2x	6.2x
<b>Median</b> .....	61.1%	12.2x	6.2x
<b>Low</b> .....	29.1%	12.2x	6.2x

*Source: SNL, quarterly filings for each company referenced and FactSet.*

The book value ratios suggest a low valuation for SBLI USA of \$27.5 million and high valuation of \$83.7 million. Mean and median valuation were \$58.2 million and \$57.7 million, respectively.

Sherman & Company noted that Phoenix Companies, Inc. (“**Phoenix**”) was the only company in the peer universe that has equity analyst coverage, and therefore is the only company with estimates of forward price-to-earnings per share. Phoenix has a price to 2013 earnings estimate of 12.2x, and a price to 2014 earnings estimate of 6.2x. Applying this multiple to SBLI USA’s estimated 2013 and 2014 earnings would produce an implied transaction value of \$35.8 million and \$5.4 million, respectively, for SBLI USA.

Sherman & Company noted that the mean return on average equity (“**ROAE**”) for 2012 for the comparable companies was 11.9%. This compares to SBLI USA’s ROAE of -1.2% for 2012, and implies a lower valuation for SBLI USA.

#### *Takeover Premium Analysis*

Sherman & Company performed a takeover premium analysis. This analysis seeks to determine what premium over the last trading day’s share price could be expected for a transaction where control is acquired.

Sherman & Company compared the projected takeover premium in the proposed transaction to actual takeover premiums received in selected life and health insurance company change of control transactions that have occurred over the past 10 years where the target was publicly traded and had observable data. Sherman & Company selected the following transactions for its analysis:

<b>Date of Announcement</b>	<b>Target</b>	<b>Acquirer</b>
7/12/2012	Presidential Life Corporation	Athene Group Ltd.
4/15/2011	Scottish Re Group Limited	Investor group
7/14/2009	Annuity & Life Re (Holdings), Ltd.	Pope Investments II LLC
1/14/2008	Financial Industries Corporation	Financial Holding Corporation
9/7/2007	KMG America Corporation	Humana Inc.
2/22/2007	Great American Financial Resources, Inc.	American Financial Group, Inc.
7/12/2006	AmerUs Group Co.	Aviva Plc
3/21/2006	Erie Family Life Insurance Company	Erie Indemnity Company
10/9/2005	Jefferson-Pilot Corporation	Lincoln National Corporation
9/15/2005	UICI	Investor consortium
10/29/2003	Cotton States Life Insurance Company	Illinois Agricultural Association

Sherman & Company noted that none of the selected transactions was identical to the sponsored demutualization.

In its analysis, Sherman & Company calculated the takeover premium paid in the selected transactions to the prior day closing prices of the targets’ common stock, as well as the prior 30-day and 90-day average closing prices of the targets’ common stock.

	<b>Takeover Premium to Prior Day Closing Price</b>	<b>Takeover Premium to 30- day Avg. Closing Price</b>	<b>Takeover Premium to 90- day Avg. Closing Price</b>
<b>High</b> .....	100%	100%	105%
<b>Mean</b> .....	35%	39%	32%
<b>Median</b> .....	19%	24%	18%
<b>Low</b> .....	5%	2%	2%

*Source: SNL, company filings.*

Sherman & Company used the results of the comparable publicly traded companies analysis and the takeover premium analysis in tandem. A comparable company analysis asks “If this private company was publicly traded, what can we determine would be a reasonable expected market capitalization for the entire entity, and therefore at what price would one share trade?”

A takeover premium analysis asks “If one share of a publicly traded company can be purchased in the open market for a certain price per share, what is the measurable quantitative difference between the price of one share and the price of enough shares to gain control of the company?”

Taken together, the two analyses allowed Sherman & Company to estimate SBLI USA’s theoretical market capitalization using SBLI USA’s metrics factored with derived market multiples, and then estimate what the expected purchase price for all of SBLI USA’s theoretical shares would reasonably be by adding a takeover premium to the comparable company analysis as determined by Sherman & Company’s evaluation.

#### *Precedent Transactions Analysis*

Sherman & Company compared the proposed transaction to what it believed was a like universe of acquisitions of peer companies, based on the date of the transaction and the size and business lines of the target, among other factors. For each of these transactions, Sherman & Company calculated a ratio of transaction value to the target’s statutory capital and surplus in the most recent period prior to the announcement of the transaction. Sherman & Company then derived metrics from the transaction that it applied to SBLI USA’s financials to estimate a range of valuation of SBLI USA. Each peer transaction was selected on the basis that it represented a primarily life insurance company transactions with observable data, announced on or after January 1, 2008, with a deal value less than \$50 million in size, and where the target company’s most recent ROAE was between -4 percent and 4 percent, comparable to the SBLI USA’s 2012 year-end ROAE. The analysis targeted surplus greater than \$2.5 million to eliminate “shell” transactions that typically trade on a multiple of licenses, rather than on operating metrics.

The selected transactions were:

<b><u>Date</u></b>	<b><u>Acquirer</u></b>	<b><u>Target</u></b>
8/30/2012	Credit Suisse Group AG	Enterprise Life Insurance Company
6/7/2012	Puritan Life Insurance Company	Sterling Holdings, Inc.
3/12/2012	Government Employees Health Association, Inc.	Surety Life Insurance Company
2/23/2012	Presidential Life Corporation	Great America Life Assurance Company
10/6/2010	Tiptree Financial Partners, L.P.	Phoenix Life and Reassurance Company of New York
4/21/2010	Black Diamond Capital Partners I, L.P.	Advanta Life Insurance Company
3/31/2009	Blue Cross and Blue Shield of South Carolina	Forethought Life Insurance Company of New York
9/11/2008	Unity Mutual Life Insurance Company	Jefferson Standard Life Insurance Company
7/18/2008	First Trinity Financial Corporation	First Life America Corporation
1/17/2008	American Financial Security Holdings, Inc.	American Financial Security Life Insurance Company
10/10/2007	Industrial Alliance Insurance and Financial Services Inc.	United Family Life Insurance Company

Sherman & Company noted that none of the transactions selected was identical to the proposed sponsored demutualization.

These transactions produced the following range of transaction value to statutory book value:

	<b>Deal Value / Statutory Book Value</b>
<b>High</b> .....	131.3%
<b>Mean</b> .....	87.2%
<b>Median</b> .....	95.9%
<b>Low</b> .....	9.2%

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*Source: SNL.*

Based on these ratios and SBLI USA’s statutory book value as of June 30, 2013, Sherman & Company calculated a range of valuation from \$7 million to \$100 million, with a mean valuation of \$66.4 million and a median valuation of \$73 million.

#### *Discounted Cash Flow Analysis*

Sherman & Company performed a discounted cash flow analysis based on future after-tax earnings of SBLI USA using assumptions and projections provided to Sherman & Company by SBLI USA. These assumptions and projections were judged by Sherman & Company to be reasonable, and the best estimates that management could provide based on their expectations as of the date of the opinion.

Sherman & Company noted that this analysis represented only a theoretical value for purposes of comparison, and did not represent any value that could or would be received by the Eligible Policyholders, or that could or would be paid in the form of dividends to any holding company. Sherman & Company further noted that dividends could only be paid to holding companies as allowed by domiciliary regulators of each insurance company. In forming its opinion, Sherman & Company assumed that SBLI USA continued to operate as a stand-alone entity that performed in line with management projections.

Sherman & Company’s discounted cash flow model used the following assumptions to estimate the implied present value of SBLI USA:

- Sherman & Company used a range of discount rates varying from 12.5% to 20.5%.
- Sherman & Company calculated a weighted average cost of capital (“WACC”) of 16.5% for SBLI USA.
- Sherman & Company added a premium to SBLI USA’s cost of equity to reflect its small size.
- Sherman & Company noted that SBLI USA’s capital structure included no debt, which is typically found in life holding companies, and the absence of what is usually lower cost debt in the capital structure raises WACC.
- Sherman & Company used a terminal value as calculated using a range of stable growth rates of between -0.3% and -2.3%.

Sherman & Company’s sensitivity analysis, using the range of assumptions above, indicated an implied present value of SBLI USA that ranged from \$24.3 million to \$40 million.

#### *Embedded Value Analysis*

Sherman & Company employed an embedded value analysis to determine a range of fair value of SBLI USA. Sherman & Company noted that this analysis represented only the theoretical value for purposes of comparison, and did not represent any value that could or would be received by the Policyholders in the event of a liquidation or run-off scenario.

Sherman & Company did not perform an actuarial analysis, nor did it perform a liquidation analysis, nor did it independently value any of the assets or the liabilities of SBLI USA in preparing its analysis.

An embedded value analysis has two components: the current fair value estimation of a company’s excess of its assets over its liabilities, adjusted for various statutory items based upon recent balance sheet data and certain estimations, and the present value of in force and new business of that company, adjusted for the cost of capital required by that business.

In the embedded value analysis, statutory surplus is adjusted by the value of the asset valuation reserve, interest maintenance reserve, deferred tax assets, and non-admitted assets. It is further modified by an estimation of the adjustment to the current investment portfolio to reflect capital gains and/or losses that might be realized if the portfolio were liquidated in the theoretical situation required by the analysis.

Sherman & Company used an estimate of capital losses derived by SBLI USA, reflecting recent investment data, market trends, and recent portfolio reviews by third parties in order to arrive at a portfolio adjustment figure. Sherman & Company did not represent that this assumption of capital losses will or will not be realized, or that SBLI USA will or will not hold the assets to maturity. The figure was assumed to be the best and reasonable estimate of management given known factors.

Sherman & Company used 6.0% for the modeled cost of capital, which is the standard of Solvency II for similar modeling. For the analysis, Sherman & Company assumed a scenario in which no new business was written in order to compare the value of the business before activity of Prosperity to restart writing new business. Sherman & Company also employed additional projections and assumptions as determined by SBLI USA independently and/or with the assistance of its third party advisers, as approved by SBLI USA's management and stated to be reasonable.

In its analysis, Sherman & Company assumed such projections and assumptions to be reasonable and the best estimates of management given current knowledge of the operations of SBLI USA and market conditions.

To determine the value of the In Force block Sherman & Company utilized a discounted cash flow model, and used the same discount rate employed in its discounted cash flow analysis. Sherman & Company used projections provided detailing the existing business of SBLI USA. It used a perpetuity growth rate based on the compound annual decline in projected premiums as the In Force block runs off.

Sherman & Company's analysis, using the assumptions detailed on the previous page, indicated that the implied present value of SBLI USA ranged from approximately \$33.2 million to \$47.9 million.

### ***General***

Sherman & Company was engaged as an independent financial adviser for the specific purpose of providing a fairness opinion. On November 22, 2013, Sherman & Company delivered a written opinion to the board of directors of SBLI USA that, as of that date, and based upon and subject to the assumptions made, matters considered, qualifications and limitations set forth in the written opinion, the consideration to be received by the Policyholders, taken in the aggregate, in connection with the reorganization pursuant to the Plan and the sale pursuant to the Merger Agreement is fair, from a financial point of view. Sherman & Company was not engaged to provide any other services in connection with the sponsored demutualization, nor did it contact prospective buyers, evaluate proposals, or negotiate agreements related to the proposed transaction; this service was provided by a separate financial adviser to SBLI USA. Sherman & Company has received aggregate fees of approximately \$248,000 for providing the fairness opinion that was neither contingent upon, nor tied to, the successful completion of the sponsored demutualization or the amount of consideration received by Eligible Policyholders in the sponsored demutualization. SBLI USA has agreed to reimburse Sherman & Company's transaction-related expenses and indemnify Sherman & Company against certain liabilities that could arise out of its engagement.

### **Opinions of Marc Slutzky of Milliman, Inc.**

Marc Slutzky, F.S.A., M.A.A.A., a consulting actuary with Milliman, Inc., has acted as SBLI USA's actuarial adviser. SBLI USA retained Milliman, Inc. to advise it in connection with actuarial matters related to the allocation of consideration to the Eligible Policyholders, as set forth in the Plan.

On July 8, 2014, Marc Slutzky of Milliman, Inc. rendered an oral opinion to the board of directors (which was confirmed in writing by delivery of Mr. Slutzky's written opinion dated as of July 8, 2014), relating to the actuarial aspects of the sponsored demutualization and the transactions described in the Plan and the Merger Agreement, involving the consideration to be received by the Eligible Policyholders in connection with the sponsored demutualization and the transactions described in the Plan and the Merger Agreement and the Closed Block. Furthermore, Mr. Slutzky concluded that the appropriate SBLI USA policies and contracts are included in the Closed Block, the method of funding the Closed Block as of the Closed Block Calculation Date and subject to adjustment is reasonable and consistent with the objectives of a closed block and the assets allocated to the Closed Block are an amount which, together with anticipated future premiums from such business, are reasonably expected to be sufficient to support such business, including, but not limited to, provisions for payment of claims, certain expenses and taxes associated with the Closed Block Business and to provide for continuation of dividend scales in effect in 2013 if the experience underlying such dividend scales continues, and for appropriate adjustments in such dividend scales if the experience changes.

Mr. Slutzky's opinions were directed to the board of directors and only addressed the fairness, from an actuarial point of view, of the allocation of consideration to be received by the Eligible Policyholders in connection with the sponsored demutualization pursuant to the Plan and the establishment and funding of the Closed Block and do not address any other aspect or implication of the sponsored demutualization. The full texts of the written actuarial opinions are included as Annex D and Annex E to this policyholder information booklet and set forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Mr. Slutzky in preparing his opinions. We encourage you to read carefully the full text of the written actuarial opinions. However, neither Mr. Slutzky's opinions nor the summaries of his opinions set forth in this policyholder information booklet are intended to be, and do not constitute, advice or a recommendation to the board of directors or any Policyholders as to how to act or vote with respect to the Plan or related matters.

### ***Allocation Discussion***

Demutualization plans generally express consideration as the combination of a "fixed component" and a "variable component." The fixed component is distributed as an equal amount to each policyholder, and the variable component, if any, is allocated in proportion to each policyholder's "actuarial contribution" to the value of the company. Actuarial Standard of Practice No. 37," which is titled "Allocation of Policyholder Consideration in Mutual Life Insurance Company Demutualizations", defines "actuarial contribution" as "the contribution a particular policy or class of similar eligible policies has made to the company's statutory surplus and the asset valuation reserve, plus the present value of contributions that the same policy or class of similar eligible policies is expected to make in the future."

Based on Mr. Slutzky's analysis, he concluded, among other things, that since there are insufficient records available to calculate actuarial contributions made by SBLI USA's Policyholders, a distribution in the form solely of a fixed amount is fair and equitable to the Eligible Policyholders.

### ***Closed Block Discussion***

The Closed Block is an accounting mechanism established as of the Plan Effective Date to ensure that the reasonable dividend expectations of Policyholders who own certain Policies are met. As set forth in the Closed Block Memorandum included as Schedule 2 to the Plan, SBLI USA allocated assets to the Closed Block as of the Closed Block Calculation Date in an amount that produced cash flows which, together with anticipated revenue from the Closed Block Policies, are reasonably expected to be sufficient to support the Closed Block Policies, including, but not limited to, provisions for payment of claims and certain expenses and taxes and for continuation of dividend scales payable in 2013, if the experience underlying such scales continues, and for appropriate adjustments in such scales if the experience changes. The Closed Block does not guarantee a continuation of the dividend scale. If over time the experience of the Closed Block is more favorable than the assumptions underlying the dividend scale in effect in 2013, total dividend payments will be higher. If over time the experience of the Closed Block is less favorable than the assumptions underlying that dividend scale, total dividend payments will be lower. The establishment and operation of the Closed Block will not modify or amend the provisions of the Policies included therein. SBLI USA will establish the Closed Block as of the Plan Effective Date.

SBLI USA's assets that are allocated to the Closed Block as of September 30, 2012, which are described in Exhibit D to the Plan and the Closed Block Memorandum ("**Closed Block Assets**"), and subject to adjustment based on the actual experience of the Closed Block between the Closed Block Calculation Date and December 31, 2013, the cash flows generated by the Closed Block Assets and the anticipated revenue from the policies in the Closed Block will benefit only the Owners of the Policies included in the Closed Block. Any excess earnings will be available for distribution over time to Owners of Policies in the Closed Block but will not be available to SBLI USA's shareholder. To the extent that, over time, cash flows from the assets allocated to the Closed Block and claims and other experience relating to the Closed Block are, in the aggregate, more or less favorable than assumed in establishing the Closed Block, total dividends paid to Owners of Policies in the Closed Block in the future may be greater or less than the total dividends that would have been paid to these Policyholders if the policyholder dividend scales in effect for 2013 had been continued. Dividends on Policies included in the Closed Block, as in the past, will be declared at the discretion of the board of directors, may vary from time to time, reflecting changes in investment income, mortality, persistency and other experience factors, and are not guaranteed. SBLI USA will not be required to support the payment of dividends on Closed Block Policies from SBLI USA's funds outside the Closed Block. SBLI USA will continue to pay guaranteed benefits under all Policies in accordance with their terms, including the Policies included in the Closed Block. If the assets allocated to the Closed Block, the investment cash flows from those assets and the revenues from the Policies included in the Closed Block prove to be insufficient to pay the benefits guaranteed under the Policies included in the Closed Block, SBLI USA will be required to make such payments from its funds outside the Closed Block. In addition, to the extent that those amounts are greater than the amounts estimated at the time of the funding of the Closed Block, such excess amounts will benefit only the Owners of Policies in the Closed Block. Any excess earnings will be available over time only to Owners of Policies in the Closed Block in the form of dividends.

The amount of assets allocated to the Closed Block was calculated as of September 30, 2012. After the Plan Effective Date, the funding of the Closed Block may be adjusted if the actual experience of the Closed Block between September 30, 2012 and December 31, 2013 deviates from the assumptions underlying the Closed Block funding calculation. Prosperity committed to the Department and SBLI USA acknowledged that SBLI USA will not make certain interest payments under the capital note being sold to a subsidiary of Prosperity and will not make dividend payments on its stock until the Department approves the adjustment of the funding level of the Closed Block.

Since the Closed Block has been funded to provide for payment of guaranteed benefits, as well as for continuation of policyholder dividend scales in effect for 2013 if experience underlying such scales continues, it should not be necessary to use funds outside the Closed Block to pay guaranteed benefits, unless the Policies included in the Closed Block experience substantial adverse deviations in investment income, mortality, persistency or other experience factors. SBLI USA will use its best efforts to support the Policies included in the Closed Block with the assets allocated to the Closed Block. The assets allocated to the Closed Block will be subject to the same liabilities (with the same priority in liquidation) as assets outside the Closed Block.

As specified in the Plan, the Closed Block Business comprises the Closed Block Policies, which are traditional dividend-paying individual ordinary life insurance Policies, consisting of individual whole life Policies, limited payment whole life insurance Policies, endowment life insurance Policies, senior life Policies, single premium whole life Policies, endowment Policies, retirement income Policies, family plan Policies and life insurance Policies in effect under a nonforfeiture option, in each case with an experience-based dividend scale, which were issued by SBLI USA (i) before the Plan Effective Date and In Force on any date on or after the Plan Effective Date or (ii) before the Plan Effective Date and eligible on the Plan Effective Date to be reinstated to a dividend-paying policy, in each case together with all riders (whenever issued), additional benefit provisions, dividend accumulations and options with respect to such life insurance Policies.

Notwithstanding anything to the contrary, Closed Block Business and the Closed Block Policies do not include the Excluded Policies. The Excluded Policies are (i) any Policy or contract issued on or after the Plan Effective Date and riders, additional benefit provisions, dividend accumulations and options with respect thereto, in each case regardless of when issued, (ii) supplementary contracts, individual annuities, 5-Year Renewable Term Policies, 20-Year, 25-Year and 30-Year Decreasing Term Policies, Financial Institutions Group Life Insurance, Financial Institution Group AD&D, Individual AD&D, Individual Disability Income, Group Mortgage Insurance, individual 1, 10, 15, 20, 30 year renewable term insurance Policies, 15 year convertible and non-renewable term insurance Policies and return of premium term Policies and retained asset accounts in each case regardless of when issued, (iii) any other kind of Policy or contract, whenever issued or whenever in force, which is not an individual life insurance Policy as described above, in each case regardless of when issued, and (iv) riders, additional benefit provisions, dividend accumulations and options with respect to any of these items, in each case regardless of when issued.

Whole life Policies issued as a conversion from term insurance will be included in the Closed Block if converted before the Plan Effective Date and will be excluded if converted on or after the Plan Effective Date. The fact that a Policy is included in the Closed Block has no bearing on whether the Owner of that Policy is entitled to receive consideration under the Plan or the amount of consideration allocated to the Policyholder.

As provided in the Plan, SBLI USA will add to the Closed Block premiums and other amounts received by, and withdrawn from the Closed Block policy benefits and other amounts paid by SBLI USA on the Policies included in the Closed Block. SBLI USA will charge the Closed Block with federal and foreign income taxes, amounts in lieu of state and local premium taxes, and amounts in lieu of commissions. Cash payments with respect to certain reinsurance will be withdrawn from or paid to the Closed Block.

The board of directors will set the dividends on the Closed Block Policies annually, in accordance with applicable law and consistent with the objective of minimizing tontine effects and exhausting the assets of the Closed Block with the final payment made with respect to the last Policy included in the Closed Block. SBLI USA will retain an independent actuary to review the operations of the Closed Block every five years as required by the Plan. Additionally, SBLI USA will review the operation of, and prepare an internal report regarding, the investment operations of the Closed Block annually. The Closed Block will continue in effect until the last Policy in the Closed Block is no longer In Force.

The Policies excluded from the Closed Block are generally those for which the Policyholder has no expectation of a payment of dividends with respect to the Policy or for which the Policyholder was eligible to receive dividends but the dividend payments with respect to the Policy did not vary based upon the underlying experience of the Policy.

Excluded Policies that are participating Policies shall continue to be participating Policies and will be entitled to dividends in accordance with their terms, the past practices of SBLI USA, and New York law. With respect to dividend-paying term life Policies, including 5-Year Renewable Term Policies and 20-Year, 25-Year and 30-Year Decreasing Term Policies that are not in the Closed

Block, SBLI USA shall not change the 2013 dividend scales after the Plan Effective Date unless the Superintendent's prior approval is obtained.

### **CERTAIN CONSIDERATIONS RELATING TO THE SPONSORED DEMUTUALIZATION**

*The Plan involves some potential risks. You should consider carefully, in addition to the other information contained in the policyholder information booklet, the following factors before voting on the Plan.*

***As a consequence of the sponsored demutualization, members of SBLI USA will lose their Membership Interests and control over SBLI USA will be exercised exclusively by SBLI USA's sole shareholder, Acquisition LLC.***

A mutual insurance company is generally operated for the benefit of its policyholders, who are the owners. Converting from a mutual insurance company to a stock insurance company will result in a shareholder, Acquisition LLC, gaining control of SBLI USA. Shareholder interests in a converted SBLI USA might differ from the interests of Policyholders. In particular, shareholders generally are primarily interested in financial performance as it relates to the value of their shares or shareholder dividends, while policyholders are primarily interested in financial performance as it relates to premium rates, policy dividends and the ability of their insurance company to pay benefits. Although this potential conflict exists, shareholders and indirectly policyholders could both benefit from business opportunities that demutualization could make possible. For example, SBLI USA plans to begin writing new life insurance business after this sponsored demutualization, and this could result in Policyholders owning Policies in a company with a source of revenue other than premium from existing Policyholders. Please note that the sponsored demutualization will not increase your premiums or contributions, and it will not diminish the benefits, values (such as loan values, cash values and paid up insurance values), Policy guarantees or dividend eligibility of your Policy.

***We may seek to fund deficiencies, if any, in our Closed Block; assets allocated to the Closed Block benefit only the Owners of Closed Block Policies.***

Under the Plan and the Closed Block Memorandum, we will allocate assets to the Closed Block as of the Closed Block Calculation Date, subject to adjustment based on the actual experience of the Closed Block between the Closed Block Calculation Date and December 31, 2013, in an amount that produces cash flows which, together with anticipated revenue from the Policies included in the Closed Block, are reasonably expected to be sufficient to support obligations and liabilities relating to these Policies. The Closed Block does not guarantee a continuation of the dividend scale. The Closed Block will be funded to a level anticipated to provide for continuation of 2013 dividend scales, if the experience underlying such dividend scales continues, and for appropriate adjustments in such dividend scales if the experience changes. If over time the experience of the Closed Block is more favorable than the assumptions underlying the dividend scale in effect in 2013, total dividend payments will be higher. If over time the experience of the Closed Block is less favorable than the assumptions underlying that dividend scale, total dividend payments will be lower.

The existence of the Closed Block should have no effect on SBLI USA's obligations or SBLI USA's ability to pay guaranteed benefits. We cannot ensure that the Closed Block Assets, the cash flows generated by the Closed Block Assets and the anticipated revenue from the Policies included in the Closed Block will be sufficient to provide for the benefits guaranteed under these Policies. If the assets allocated to the Closed Block, and the investment cash flows from those assets and the revenues from the Closed Block Policies were to prove insufficient to pay the guaranteed benefits under Closed Block Policies, SBLI USA would make such guaranteed payments from funds outside the Closed Block. SBLI USA is not required to pay policy dividends on Closed Block Policies from funds outside the Closed Block, and the goal in establishing the Closed Block is to provide for policy dividends to be paid from the Closed Block.

The Closed Block Assets, the cash flows generated by the Closed Block Assets and the anticipated revenue from the Policies in the Closed Block will benefit only the Owners of those Closed Block Policies and not Owners of Policies outside of the Closed Block. In addition, to the extent that these amounts are greater than the amounts estimated at the time we fund the Closed Block, such excess amounts will only benefit the Owners of Policies in the Closed Block. Any excess earnings will be available for distribution over time only to Owners of Policies in the Closed Block, in the form of dividends.

***SBLI USA could face adverse reactions to the sponsored demutualization.***

Some Policies can be cancelled with minimal notice and are renewable periodically. SBLI USA cannot assure that Policyholders might not respond negatively to the Plan by canceling or declining to renew policies.

***It is possible that SBLI USA would receive poor financial strength ratings, which could spur policy surrenders and withdrawals, while limiting sales.***

Financial strength ratings are important factors in establishing the competitive position of insurance companies. Even after consummation of the sponsored demutualization it is possible that rating agencies could give SBLI USA a poor financial rating. SBLI USA is not currently rated but may seek to be rated again in the future.

***A converted SBLI USA would remain subject to changes in state and/or federal law.***

Changes in law and regulations, or changes in interpretations thereof, could reduce SBLI USA's profitability. Furthermore, such changes could have an adverse impact on the insurance and annuity business generally. No assurance can be given that any future legislative or regulatory developments would benefit, or would not harm, a converted SBLI USA. The same risks exist for SBLI USA if it does not convert.

***The efforts of a converted SBLI USA to increase profitability could prove unsuccessful.***

A converted SBLI USA would undertake steps to improve profitability. However, policy surrenders, withdrawals, and requests for policy loans and/or increases in SBLI USA's expenses could adversely affect those efforts by requiring SBLI USA to sell assets at an inopportune time in order to raise the cash necessary to respond to such surrenders, withdrawals, and loans, thereby realizing capital losses on the assets sold. Excessive policy surrenders, withdrawals, and requests for policy loans and/or difficulties in managing expenses could reduce income and/or surplus to such an extent that regulatory action could occur.

***The reserves of a converted SBLI USA for future policy benefits and claims could prove to be inadequate, thus requiring SBLI USA to increase liabilities.***

The earnings of a converted SBLI USA would depend substantially upon the extent to which its actual future claims experience is consistent with the assumptions used in setting prices for its products, and in establishing liabilities for future benefits under those products. The liability that SBLI USA has established for future policy benefits is based on assumptions concerning a number of factors, including the rate of return on its assets, expected claims, expenses, and persistency, which is the measurement of the percentage of insurance policies remaining in force from year to year. However, due to the nature of the underlying risks and the uncertainty associated with the determination of the liabilities for unpaid policy benefits and claims, SBLI USA cannot determine precisely the amounts which it will ultimately pay to settle these liabilities. As a result, SBLI USA may experience volatility in the level of its reserves from period to period. To the extent that actual claims experience is less favorable than the underlying assumptions, SBLI USA could be required to increase its reserve for liabilities, thereby reducing its surplus.

***The investment portfolio of a converted SBLI USA would continue to be subject to several risks which could diminish the value of invested assets and affect sales, profitability, and the investment returns credited to its customers.***

The value of SBLI USA's investment portfolio, and the income generated thereby, will remain vulnerable to dislocations and declines in the financial and securities markets. Continued volatility of the financial markets and the recent extended period of low interest rates could impact SBLI USA's investment portfolio. If interest rates rise, the market value of SBLI USA's portfolio of fixed income securities would very likely decrease, which could have a negative impact on SBLI USA if SBLI USA needed to sell securities. Adverse developments with respect to SBLI USA's investments, including but not limited to, an increase in defaults on SBLI USA's fixed maturity securities portfolio would reduce SBLI USA's profitability. No assurances can be given regarding the future performance of the financial and securities markets generally or of SBLI USA's investment portfolio.

***Litigation and regulatory investigations may adversely affect SBLI USA.***

We face risks of litigation and regulatory investigations and actions in connection with our activities as an insurer, employer, investor and taxpayer. These types of lawsuits and regulatory actions may be difficult to assess or quantify, may seek recovery of very large and/or indeterminate amounts, including punitive or other special damages. The existence and magnitude of these risks may remain unknown for substantial periods of time. A substantial legal liability or a significant regulatory action against us could have a material adverse effect on SBLI USA.

Moreover, life insurance companies historically have been subject to substantial litigation resulting from claims disputes and other matters. Some companies have faced regulatory investigations concerning unclaimed life insurance benefits and possible escheat of unclaimed benefits to the various states. Responding to these investigations, locating beneficiaries who have not claimed benefits and the consequent effect on policy payments have had an adverse effect on the financial condition, results of operations and prospects of some life insurance companies.

*There are no assurances that a converted SBLI USA would be able to write profitable new business.*

SBLI USA stopped writing new business as of June 2010. When SBLI USA determines to recommence writing new business, some of SBLI USA's pre-existing distribution relationships might not be amenable to being restored. SBLI USA might need to develop new distribution channels for its products, and SBLI USA's potential need for new distribution channels could significantly delay or limit the resumption of sales of its insurance products, adversely affecting profitability.

Because SBLI USA has not been active in the marketplace since June 2010, SBLI USA and its products may have lost some of their market appeal. SBLI USA's ability to compete would depend on a number of factors including scale, service, product features, product pricing, investment performance, commission structure, distribution capabilities, financial strength ratings, and name recognition. SBLI USA would be competing with a large number of other insurers, some of which might have advantages with regard to one or more of those competitive factors. There is no assurance that such competition would not exert strong pressure upon SBLI USA's future profitability, its ability to increase the number of its policyholders, or its ability to successfully pursue growth in areas both within and outside of New York.

## U.S. FEDERAL INCOME TAX CONSIDERATIONS

### Circular 230 Disclosure:

**The summary tax discussion set forth below is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code (the "Code"). It was written to support the promotion or marketing of the sponsored demutualization. You should seek advice based on your particular circumstance from an independent tax adviser.**

**U.S. federal income tax regulations require the foregoing disclosure to accompany a summary tax discussion such as the one set forth in this policyholder information booklet.**

### Scope of Summary

The following is a summary of the material U.S. federal income tax consequences of the sponsored demutualization and other transactions described in the Plan and Merger Agreement to Policyholders who are U.S. Policyholders. This summary is for general information only. It is not intended to be a complete discussion of all tax consequences that may be relevant to a particular Policyholder. This summary does not address federal estate, state, local, or any non-U.S. tax consequences of the sponsored demutualization and any other transaction. This summary is not tax advice. Policyholders should consult a tax adviser to determine how the sponsored demutualization and other transactions described in the Plan and Merger Agreement will affect them in their particular circumstances, including how the application of federal estate, state, local, and any non-U.S. tax consequences of the transactions may affect them.

For purposes of this summary, the term "**U.S. Policyholder**" means a Policyholder who is, for U.S. federal income tax purposes:

- (i) an individual who is a citizen or resident of the United States; or
- (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions.

This summary is based on the provisions of the Code, U.S. Treasury regulations promulgated thereunder, judicial authorities, and administrative rulings, all of which are subject to change, possibly with retroactive effect. This summary does not apply to Policyholders who may be subject to special rules, such as partnerships or other pass-through entities, trusts, and tax-exempt organizations. This summary does not address the U.S. tax consequences of any Policyholder who, for U.S. federal income tax purposes, is a non-resident alien individual, foreign corporation, foreign partnership, or foreign estate or trust.

The receipt of cash in consideration in the Redemption and the Merger will be taxable for U.S. federal income tax purposes. In general, a U.S. Policyholder's gain or loss from those transactions will be a long-term capital gain or loss provided that the member held his or her Policy more than 12 months at the effective date of the sponsored demutualization. Long-term capital gains of non-corporate U.S. Policyholders are eligible for reduced rates of taxation. Short-term capital gains are subject to U.S. federal income tax at the same rates as ordinary income. There are limitations on the deductibility of capital losses.

In the case of the transfer of property, gain or loss generally is determined by subtracting the cost basis of the property from the amount of consideration realized from the transfer of the property. In accordance with the historic position of the Internal Revenues Service (“IRS”), a U.S. Policyholder generally would recognize a gain in connection with the Redemption and Merger equal to the full amount of cash received, because the basis of the property transferred by the U.S. Policyholder in the Redemption and Merger is derived by reference to such Policyholder’s basis in its Membership Interests in SBLI USA and the IRS’s position has been that the basis of a membership interest in a mutual company is zero. You should be aware, however, that in a 2008 decision, the U.S. Court of Federal Claims rejected the IRS’s position, applying instead the “open transaction” doctrine to a taxpayer’s receipt of consideration in a demutualization transaction. The IRS continues to litigate this issue and recently prevailed in a U.S. district court case.

If you have not previously provided SBLI USA with your taxpayer identification number, which is your social security number if you are an individual, you later may be asked to provide it to us for information reporting and withholding purposes.

## **INTERESTS OF CERTAIN PERSONS IN THE SPONSORED DEMUTUALIZATION**

In considering the recommendation of the board of directors that you vote to approve the Plan and the transactions contemplated by the Plan and the Merger Agreement, you should be aware that our directors and executive officers have interests in the sponsored demutualization that are different from, or in addition to, the interests of the Policyholders. The board of directors was aware of these interests and considered them, among other matters, in approving and adopting the Plan.

### **Employment Following Sponsored Demutualization**

Certain officers of SBLI USA in office immediately prior to the consummation of the sponsored demutualization will remain officers of the converted SBLI USA until the earlier of their resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be.

### **Employment Agreements**

SBLI USA has previously entered into employment agreements with Michael Akker, President and Chief Executive Officer; Eric Bulis, Executive Vice President of Operations and Chief Information Officer; Robert Damante, Executive Vice President and Chief Financial Officer; and five Senior Vice Presidents of SBLI USA. Messrs. Akker and Damante are also directors of SBLI USA. These employment agreements provide separation benefits in the event that the executive’s employment is terminated by SBLI USA without cause or by the executive with “good reason,” such as a material change to the executive’s scope of employment or a reduction in compensation, prior to or following a change in control of SBLI USA. The sponsored demutualization will constitute a “change in control” for purposes of these employment agreements. The separation benefits include (1) accrued pay and benefits, (2) continuing base salary payments for the remainder of the term of the employment agreement or severance pay allowance period under the SBLI USA severance plan, (3) incentive compensation for the year in which employment terminates, (4) continued health care coverage for the remainder of the term of the employment agreement, (5) benefits under all other applicable plans and programs of SBLI USA in accordance with their terms, and (6) outplacement services.

### **Indemnification; Directors’ and Officers’ Insurance**

Under the Merger Agreement, from and after the closing of the Merger, Prosperity will cause SBLI USA to indemnify, to the fullest extent permitted by applicable law, its current and former directors and officers in respect of acts or omissions occurring at or prior to the closing.

For a period of six years after the closing, SBLI USA’s organizational documents are required to contain provisions no less favorable to SBLI USA’s directors and officers with respect to exculpation and indemnification than were set forth in SBLI USA’s organizational documents at the closing date.

Immediately prior to the closing, SBLI USA will purchase a single payment run-off policy of directors’ and officers’ liability insurance that covers the directors, officers and employees of SBLI USA and its subsidiaries. The aggregate premiums paid for such coverage may not exceed \$1.2 million.

## REQUIRED APPROVALS

### **The Plan is subject to the approval of the Superintendent**

In order to become effective, the Plan must be approved by the Superintendent after a public hearing upon the fairness of the terms and conditions of the Plan, the reasons and purposes for the sponsored demutualization and whether the sponsored demutualization is in the interest of SBLI USA and its Policyholders and not detrimental to the public.

The public hearing will be held at One State Street, New York, NY 10004 beginning at 10:00 a.m., Eastern Time, on August 21, 2014.

The New York Insurance Law requires the Superintendent to approve the Plan on or before 60 days after the conclusion of the public hearing. The New York Insurance Law provides that the Superintendent must approve of the Plan if he finds that the Plan does not violate the New York Insurance Law, the Plan is fair and equitable to the Policyholders and is not detrimental to the public and that, after giving effect to the Plan, SBLI USA will have an amount of capital and surplus the Superintendent deems to be reasonably necessary for SBLI USA's future solvency. For more information about the public hearing, see the "*Notice of Public Hearing.*"

Section 7312 of the New York Insurance Law provides that any action challenging the validity of or arising out of acts taken or proposed to be taken under the demutualization law must be commenced within one year after a copy of the Plan, with the Superintendent's approval endorsed thereon, is filed in the office of the Superintendent or six months after the Plan Effective Date, whichever is later, or if the Plan is withdrawn, within six months of such withdrawal. SBLI USA cannot predict whether any action challenging the Plan or the approval thereof will be commenced or what aspects of the Plan, if any, such an action might challenge. In the event that the order of the Superintendent is challenged, a successful challenge could result in monetary damages, a modification of the Plan or the Superintendent's approval of the Plan being set aside. A successful challenge would likely result in substantial uncertainty relating to the terms and effectiveness of the Plan, including but not limited to, the conversion of SBLI USA, payment of the Policyholder Consideration and the extinguishment of your Membership Interests, and a substantial period of time might be required to reach a final determination. However, in order to successfully challenge the Superintendent's approval of the Plan, the petitioner would have to sustain the burden of showing that such approval was arbitrary and capricious or an abuse of discretion, made in violation of lawful procedures, affected by error of law or not supported by substantial evidence. In addition, Section 7312 provides that the insurer may require the challenging party to give security for the insurer's reasonable expenses, including attorney's fees, which may be incurred or for which the insurer may become liable, to which security the insurer shall have recourse in such amount as the court shall determine upon the termination of the action. A successful challenge would likely result in substantial uncertainty relating to the terms and effectiveness of the Plan, and a substantial period of time might be required to reach a final determination. A successful challenge would likely have a material adverse effect on SBLI USA.

### **Other regulatory filings are also subject to the approval of the Superintendent.**

SBLI USA will also seek approval of the Department for the capital note. In connection with issuance of the capital note, SBLI USA plans to redeem a certain number of its shares of common stock and will seek approval of the Department in connection with such redemption.

### **The acquisition of control of the Arizona Subsidiary is subject to the approval of the Arizona Director.**

The acquisition of control of the Arizona Subsidiary by Prosperity must be approved by the Arizona Director. The Arizona Director approved this acquisition in March 2014.

### **The Plan is subject to approval by the Policyholders of SBLI USA.**

To become effective, the Plan must be approved by at least two-thirds of the Policyholders who vote on the Plan.

**The board of directors recommends that you vote "YES" for the approval of the Plan and the transactions contemplated by the Plan and the Merger Agreement.**

## **AVAILABLE INFORMATION**

SBLI USA is subject to the laws and regulations of the State of New York applicable to life insurance companies, and, as required by those laws, files financial reports and other information with the Department. Publicly available information regarding SBLI USA and relevant to the Plan can be inspected at SBLI USA's principal office, located at 460 West 34th Street, Suite 800, New York, New York 10001-2320, between 10:00 a.m. and 3:00 p.m., Eastern Time, Monday through Friday until August 28, 2014, except days on which SBLI USA is closed for business, by calling our Demutualization Information Center toll free at 1-866-390-3665 to arrange an appointment. This information can also be inspected at the offices of the Department, located at One State Street, New York, New York 10004, except days on which the Department is closed for business.

## **INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The Annual Statements of SBLI USA, prepared in accordance with statutory accounting principles applicable to insurance companies, for the years ended December 31, 2012 and December 31, 2013, which have been filed with the Department, are incorporated by reference in this policyholder information booklet. Copies of these documents can be inspected at SBLI USA's principal office, 460 West 34th Street, Suite 800, New York, New York 10001-2320, between 10:00 a.m. and 3:00 p.m., Eastern Time, Monday through Friday until August 28, 2014, except days on which SBLI USA is closed for business, by calling our Demutualization Information Center toll free at 1-866-390-3665 to arrange an appointment, and at the Department's offices, located at One State Street, New York, New York 10004, during normal business hours.

Statements contained in this policyholder information booklet and in documents summarized or incorporated by reference into this policyholder information booklet regarding the contents of any other document are not necessarily complete. In each instance where reference is made to the Plan or to any public or other document, each such statement is qualified in all respects by the more complete information contained in the referenced document. For the purposes of this policyholder information booklet, each of the documents referred to in this policyholder information booklet, including the summarized Annexes and the other financial reports, is deemed incorporated by reference in its entirety.

**Annex A**  
**Plan of Reorganization**

SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC.

PLAN OF REORGANIZATION  
UNDER SECTION 7312  
OF THE NEW YORK INSURANCE LAW

Adopted as of July 8, 2014  
By the Board of Directors

TABLE OF CONTENTS

ARTICLE I	Definitions.....	1
ARTICLE II	Purpose of Reorganization.....	3
ARTICLE III	Form of Reorganization.....	4
3.1	Method of Reorganization.....	4
3.2	Basis for Choice of Method.....	4
3.3	The Merger Agreement.....	4
ARTICLE IV	Proposed Charter of the Converted Company.....	5
ARTICLE V	Manner and Basis of Reorganization.....	5
5.1	Plan Effective Date.....	5
5.2	Continuation of Corporate Existence; Company Name.....	5
5.3	Notice of Hearing.....	5
5.4	Notice of Vote.....	6
5.5	Policyholder Vote.....	6
5.6	Approval and Filing of Plan.....	6
5.7	Tax Considerations.....	6
ARTICLE VI	Policy Ownership and In Force Dates.....	7
6.1	Determination of Ownership.....	7
6.2	In Force Dates.....	8
6.3	Certain Group Policies and Contracts.....	8
6.4	Retained Asset Accounts.....	9
ARTICLE VII	Allocation and Payment of Policyholder Consideration.....	9
7.1	Policyholder Consideration.....	9
7.2	Allocation.....	9
ARTICLE VIII	Method of Operation for Participating Business.....	9
8.1	Establishment of the Closed Block and Closed Block Funding Adjustment.....	9
8.2	Operation of the Closed Block.....	10
8.3	Guaranteed Benefits.....	11
8.4	Other Participating Policies.....	11
ARTICLE IX	Plan of Operations; New Participating Business.....	11
9.1	Plan of Operations.....	11
9.2	No New Participating Business.....	11
ARTICLE X	Additional Provisions.....	11
10.1	Acquisition of Securities by Certain Officers, Directors and Employees.....	11
10.2	Compensation of Officers, Directors and Employees.....	12
10.3	Amendment or Withdrawal of Plan.....	12
10.4	Costs and Expenses.....	12
10.5	Governing Law.....	12
10.6	Corrections.....	12

Exhibit A – Form of Amended and Restated Charter of SBLI USA Life Insurance Company, Inc.

Exhibit B – Form of Certificate of Amendment to Amended and Restated Charter of SBLI USA Life Insurance Company, Inc. following the Redemptions

Exhibit C – Form of Amended and Restated By-Laws of SBLI USA Life Insurance Company, Inc.

Exhibit D – Closed Block Business

Exhibit E – Plan of Operations and Ten-Year Projections

Exhibit F – Form of Tax Opinion

Schedule 1 – Merger Agreement

Schedule 2 – Closed Block Memorandum

PLAN OF REORGANIZATION  
OF  
SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC.

Under Section 7312  
of the New York Insurance Law

This Plan of Reorganization (this “Plan”), which has been adopted by the Board of Directors (the “Board”) of SBLI USA Mutual Life Insurance Company, Inc., a mutual life insurance company organized under the laws of New York (the “Company”), as of July 8, 2014 (the “Adoption Date”), provides for (i) the conversion of the Company, from a mutual life insurance company into a stock life insurance company (the “Converted Company”) pursuant to Section 7312 of the New York Insurance Law, (ii) the Converted Company’s issuance of all of the common stock of the Converted Company to SBLI USA Holdings, LLC (“Holdco”), a subsidiary of the Company, in exchange for the limited liability company interests of Holdco, which shall thereupon become the parent of the Converted Company, (iii) the extinguishment of the Policyholder Membership Interests (as defined herein) in exchange for the outstanding limited liability company interests of Holdco (the “Holdco Interests”), (iv) the Converted Company redeeming a portion of its common stock, Holdco redeeming a portion of its limited liability company interests and the Converted Company becoming a direct subsidiary of SBLI USA Acquisition LLC (“Acquisition LLC”) and an indirect subsidiary of Prosperity Life Insurance Group, LLC (“Sponsor”) through redemption and merger transactions and (v) the payment to each Eligible Policyholder of its portion of the Policyholder Consideration (as defined herein), each as more fully described herein.

ARTICLE I

DEFINITIONS

As used in this Plan, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of such terms):

“*Acquisition LLC*” has the meaning set forth in the introductory paragraph of this Plan.

“*Adoption Date*” has the meaning set forth in the introductory paragraph of this Plan.

“*Board*” has the meaning set forth in the introductory paragraph of this Plan.

“*Capital Note*” means the capital note to be issued by the Converted Company substantially in the form attached as Exhibit B to the Merger Agreement and complying with the applicable requirements of Section 1323 of the New York Insurance Law.

“*Capital Note Purchase Price*” means \$7.5 million.

“*Capital Note Ratio*” means the percentage equivalent of a fraction (a) the numerator of which is equal to \$7.5 million and (b) the denominator of which is equal to the Final Cash Consideration.

“*Certificate*,” when used in relation to group insurance Policies, means a certificate that evidences coverage under a group or master Policy and that is issued to the Person covered.

“*Closed Block*” has the meaning specified in Section 8.1.

“*Closed Block Assets*” has the meaning specified in Section 8.1.

“*Closed Block Business*” means the “Closed Block Policies” specified in Exhibit D, which are traditional dividend-paying individual ordinary life insurance Policies, consisting of individual whole life Policies, limited payment whole life insurance Policies, endowment life insurance Policies, senior life Policies, single premium whole life Policies, endowment Policies, retirement income Policies, family plan Policies and life insurance Policies in effect under a nonforfeiture option, in each case with an experience-based dividend scale, which were issued by the Company (a) before the Plan Effective Date and In Force on any date on or after the Plan Effective Date or (b) before the Plan Effective Date and eligible on the Plan Effective Date to be reinstated to a dividend-paying policy, in each case together with all riders (whenever issued), additional benefit provisions, dividend accumulations and options with respect to such life insurance Policies. Whole life Policies issued as a conversion from term insurance will be included in the Closed Block if converted before the Plan Effective Date and will be excluded if converted on or after the Plan Effective Date. Notwithstanding anything to the contrary, Closed Block Business and the Closed Block Policies do not include the Closed Block Excluded Policies.

“*Closed Block Calculation Date*” has the meaning specified in Section 8.1.

“*Closed Block Excluded Policies*” are (i) any Policy or contract issued on or after the Plan Effective Date and riders, additional benefit provisions, dividend accumulations and options with respect thereto, in each case regardless of when issued,

(ii) supplementary contracts, individual annuities, 5-Year Renewable Term Policies, 20-Year, 25-Year and 30-Year Decreasing Term Policies, Financial Institutions Group Life Insurance, Financial Institution Group Accidental Death and Dismemberment, Individual Accidental Death and Dismemberment, Individual Disability Income, Group Mortgage Insurance, individual 1, 10, 15, 20, 30 year renewable term insurance Policies, 15 year convertible and non-renewable term insurance Policies and return of premium term Policies and retained asset accounts in each case regardless of when issued, (iii) any other kind of Policy or contract, whenever issued or whenever in force, which is not an individual life insurance Policy as described above in the definition of “Closed Block Policies,” in each case regardless of when issued, and (iv) riders, additional benefit provisions, dividend accumulations and options with respect to any of the items referred to in this definition, in each case regardless of when issued.

“*Closed Block Funding Amount*” means the statutory carrying value of assets that would have been allocated to the Closed Block using the methods and assumptions described in the Closed Block Memorandum had the Closed Block been established on September 30, 2012.

“*Closed Block Funding Adjustment*” means the adjustment described in Section I of the Closed Block Memorandum.

“*Closed Block Memorandum*” has the meaning specified in Section 8.1.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Company*” has the meaning set forth in the introductory paragraph of this Plan.

“*Converted Company*” has the meaning set forth in the introductory paragraph of this Plan.

“*Eligible Policyholder*” means a Person who is (or, collectively, the Persons who are) on the Adoption Date the Owner of one or more Policies which is then In Force and which remains In Force on the Plan Effective Date. For purposes of this Plan, policyholders holding policies issued by any subsidiary of the Company shall not be Eligible Policyholders.

“*Final Cash Consideration*” means the Initial Cash Consideration, as such amount may be adjusted under the Merger Agreement if the Closed Block Funding Amount exceeds \$909,144,185.

“*Holdco*” has the meaning set forth in the introductory paragraph of this Plan.

“*Holdco Interests*” has the meaning set forth in the introductory paragraph of this Plan.

“*In Force*” has the meaning specified in Section 6.2(a).

“*Initial Cash Consideration*” means \$36 million.

“*Merger*” has the meaning set forth in Section 3.3.

“*Merger Agreement*” means the Amended and Restated Merger Agreement, dated as of November 27, 2013, among Sponsor, Acquisition LLC, the Company and Holdco, and which is attached hereto as Schedule 1, as it may be amended from time to time.

“*Merger Cash Consideration*” means the portion of the Final Cash Consideration equal to the difference between (a) the Final Cash Consideration and (b) the Redemption Cash Consideration.

“*Method 4*” has the meaning specified in Section 3.1.

“*Note Purchaser*” shall mean a subsidiary of Sponsor (other than the Converted Company).

“*Owner*” means, with respect to any Policy, the Person or Persons specified or determined pursuant to Section 6.1 or Section 6.3.

“*Paying Agent*” shall have the meaning specified in Section 3.8(a) of the Merger Agreement.

“*Person*” means any natural person, corporation, limited liability company, limited liability partnership, joint venture, general or limited partnership, association, trust, trustee, unincorporated entity, organization or government or any department or agency thereof. A Person who is the Owner of Policies in more than one legal capacity (e.g., a trustee under separate trusts) shall be deemed to be a separate Person in each such capacity.

“*Plan*” means this Plan of Reorganization (including all Exhibits and Schedules hereto), as it may be amended from time to time in accordance with Section 10.3.

“*Plan Effective Date*” has the meaning specified in Section 5.1(a).

“*Policy*” means (i) a life insurance policy (including, without limitation, a pure endowment contract), annuity contract or accident and health insurance policy authorized pursuant to paragraph (1), (2) or (3) of Section 1113(a) of the New York Insurance Law that has been issued by the Company, and (ii) each certificate referred to in Section 6.3, and (iii) each other interest referred to in Section 6.1, each of which certificates and other interests referred to in clauses (ii) and (iii) is deemed to be a Policy for purposes of this Plan pursuant to Section 6.3.

“*Policy Date*” means, with respect to any Policy, the date specified in such Policy as the date such Policy commences.

“*Policyholder*” means a policyholder of the Company, as defined in Section 7312(a)(2).

“*Policyholder Consideration*” has the meaning specified in Section 7.1.

“*Policyholder Membership Interests*” has the meaning specified in Section 7312(a)(3).

“*Redemption Cash Consideration*” means the portion of the Final Cash Consideration equal to the Capital Note Purchase Price.

“*Redemption Shares*” has the meaning specified in Section 3.3.

“*Redemptions*” has the meaning set forth in Section 3.3.

“*Reorganization*” means the steps to the Plan set forth in Section 5.1(b)(i) through (iii).

“*Section 7312*” means Section 7312 of the New York Insurance Law, as amended.

“*Securities Act*” means the Securities Act of 1933, as amended.

“*Shares*” mean 72,000 shares of common stock of the Converted Company, constituting all of the newly authorized shares of common stock of the Converted Company to be issued in connection with the Reorganization.

“*Sponsor*” has the meaning set forth in the introductory paragraph of this Plan.

“*States*” means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico and Territories of the United States within the meaning of Section 2(a)(6) of the Securities Act and APO/FPO (military) addresses.

“*Superintendent*” means the Superintendent of Financial Services of the State of New York, or such governmental officer, body or authority as may after the Plan Effective Date succeed such Superintendent as the primary domestic regulator of the Company’s insurance business under applicable law.

“*Surviving Company*” has the meaning set forth in Section 3.3.

“*Tax Opinion*” has the meaning specified in Section 5.7.

“*Voting Policyholder*” means a Policyholder entitled to vote pursuant to Section 7312(e)(3). An absolute assignee of a Policy under an assignment that satisfies the requirements specified in Section 6.1(c) below is the Voting Policyholder of that Policy as soon as the assignment is effective on the records of the Company regardless of any provision in Section 4210 of the New York Insurance Law to the contrary.

## ARTICLE II

### PURPOSE OF REORGANIZATION

As part of its ongoing evaluation of the Company’s business and strategic direction, the Board has periodically initiated processes to seek, or has responded to proposals regarding, potential business combinations with, or investments in, the Company. The Board consulted extensively with senior management and with its financial, actuarial and legal advisors and considered a number of factors in reaching its decision to adopt this Plan.

Some of the factors that the Board considered in its decision to adopt this Plan include the fact that no other proposal to acquire or invest in the Company has been made on terms as favorable as those described in this Plan, the unlikelihood of obtaining a superior proposal, and the risk of losing the proposed transaction described in this Plan with the Sponsor while continuing to seek a superior offer.

The Board also considered the long-term prospects of the Company in light of the fact that its ratings had been withdrawn and it had ceased writing new business. The Board did not believe that the Company, as a stand-alone mutual life insurance company, would have sufficient size, scale or access to capital necessary to enable it to compete effectively. The Board considered other options available to remain competitive and independent, such as organic growth, growth through acquisitions and capital raising alternatives to fund growth. The Board considered affiliation with parties other than the Sponsor, including a sponsored demutualization or a merger with another mutual company. Organic growth and growth through acquisitions did not appear feasible, given the amount of capital that would be required. Thus, the Board believed that this Plan was necessary to secure the long-term viability of the Company. The Plan will help enhance the Company by providing a financial and strategic partner in the Sponsor that will enable it to compete effectively, and thereby help strengthen the long-term prospects of the Company.

In addition, the Reorganization will provide Eligible Policyholders with Policyholder Consideration, with the Policyholder Membership Interests extinguished as part of the Reorganization. Eligible Policyholders will realize economic value from the extinguishment of their Policyholder Membership Interests that may otherwise be unavailable to them. The Reorganization will not in

any way reduce benefits, values (such as loan values, cash values and paid up insurance values), Policy guarantees or dividend eligibility of existing Policies (although dividends may vary from year to year).

Furthermore, the Closed Block will be funded with assets expected to be sufficient to continue paying the dividend scale in effect in 2013 if the experience (including the investment performance) of the Closed Block Policies is similar to the assumptions used to establish the 2013 dividend scale. As set forth in the Closed Block Memorandum, the Company allocated assets to the Closed Block as of the Closed Block Calculation Date, which assets, after giving effect to the Closed Block Funding Adjustment, are in an amount that produced cash flows which, together with anticipated revenue from the Closed Block Policies, are reasonably expected to be sufficient to support the Closed Block Policies, including, but not limited to, provisions for payment of claims and certain expenses and taxes and for continuation of dividend scales payable in 2013, if the experience underlying such scales continues, and for appropriate adjustments in such scales if the experience changes.

## ARTICLE III

### FORM OF REORGANIZATION

#### 3.1 *Method of Reorganization.*

This Plan, which is adopted pursuant to Section 7312(d)(4) (“Method 4”), provides that:

- (a) the Company shall convert to a stock life insurance company, which shall be deemed a continuation of the corporate existence of the Company, with all of its common stock issued to Holdco in exchange for Holdco Interests;
- (b) all Policyholder Membership Interests will be extinguished in exchange for Holdco Interests, the Holdco Interests will, in connection with the Redemptions and the Merger described in Section 3.3, be converted into or exchanged for the right to receive Policyholder Consideration, and the Eligible Policyholders will receive Policyholder Consideration;
- (c) the Closed Block Business will be operated as a Closed Block for Policyholder dividend purposes only and none of the Company’s other Policies will be included in such Closed Block;
- (d) all Closed Block Policies will continue to be participating Policies in accordance with their terms; and
- (e) all participating Policies not included in the Closed Block Business will be eligible to receive dividends in accordance with their terms, the Company’s past practices and New York law.

#### 3.2 *Basis for Choice of Method.*

The Board has determined that Reorganization under Method 4 is the most appropriate method of Reorganization under Section 7312(d) for the Company to achieve the purposes described in Article II. The Board considered all four methods provided under Section 7312(d) and, in making such determination, the Board considered, among other things, that the flexibility of Method 4 allows for the design of a plan of reorganization that is best suited to provide the Company’s Policyholders with a fair and equitable result, that the other three methods could not be used for the Reorganization as described herein, and that the Reorganization as described herein would otherwise satisfy the requirements set forth in Section 7312(d)(4).

#### 3.3 *The Merger Agreement.*

The Company, Holdco, Acquisition LLC and the Sponsor have entered into the Merger Agreement pursuant to which the Converted Company will issue the Shares to Holdco, which will constitute all of the issued and outstanding stock of the Converted Company, in exchange for the Holdco Interests, and thereupon Holdco will be the parent of the Converted Company. Concurrently, the Policyholder Membership Interests shall be extinguished and Eligible Policyholders will receive in exchange therefor all of the Holdco Interests, which shall be held by the Paying Agent for the benefit of the Eligible Policyholders.

Thereafter, (i) the Converted Company shall issue the Capital Note to the Note Purchaser in exchange for the Capital Note Purchase Price; (ii) the Redemption Cash Consideration shall be deemed to have been distributed by the Converted Company to Holdco in exchange for, and in redemption of, a number of Shares (the “Redemption Shares”) equal to the product of the Capital Note Ratio and the total number of Shares issued to Holdco in the Reorganization; (iii) the Redemption Shares shall be retired and treated as such on the books and records of the Converted Company; and (iv) an amount of cash equal to the Redemption Cash Consideration shall be transferred to the Paying Agent by the Converted Company for distribution by the Paying Agent to Eligible Policyholders, in exchange for a proportionate amount of their Holdco Interests equal to the product of the Capital Note Ratio and the Holdco Interests (the transactions referred to in clauses (ii) through (iv) are referred to herein as the “Redemptions”). A fractional portion equal to the Capital Note Ratio of each Eligible Policyholder’s Holdco Interests shall be converted into the right to receive a portion of the Redemption Cash Consideration. Holdco shall merge with and into Acquisition LLC (the “Merger”), with Acquisition LLC as the surviving company (the “Surviving Company”), and each Eligible Policyholder’s remaining Holdco Interests shall be converted into the right to receive a portion of the Merger Cash Consideration.

Under the Merger Agreement, the Paying Agent (as defined in the Merger Agreement) will receive the Final Cash Consideration in cash for distribution to the Eligible Policyholders from Acquisition LLC with respect to the portion thereof constituting the Merger Cash Consideration, and from the Converted Company with respect to the portion thereof constituting the Redemption Cash Consideration. The Reorganization, the Redemptions and the Merger shall close on the same day. Upon consummation of the closing under the Merger Agreement, the Converted Company will be a subsidiary of the Surviving Company, which is a subsidiary of Sponsor, and all Policyholder Membership Interests and Holdco Interests will have been extinguished.

## ARTICLE IV

### PROPOSED CHARTER OF THE CONVERTED COMPANY

The form of the Converted Company's Amended and Restated Charter as proposed to be in effect upon the effectiveness of the Plan is set forth as Exhibit A hereto. The form of the Converted Company's Certificate of Amendment to its Amended and Restated Charter as proposed to be in effect upon consummation of the Redemptions is set forth as Exhibit B hereto. The form of the Converted Company's Amended and Restated By-Laws as proposed to be in effect upon the effectiveness of the Plan is set forth as Exhibit C hereto.

## ARTICLE V

### MANNER AND BASIS OF REORGANIZATION

#### 5.1 *Plan Effective Date.*

(a) The effective date of the Plan (the "Plan Effective Date") shall be the date of the closing under the Merger Agreement, which closing shall not occur more than six months after the date the Plan is approved by the Superintendent, provided that all of the conditions set forth in the Merger Agreement are satisfied or waived (other than those conditions that by their nature are to be satisfied at closing, but subject to the satisfaction or waiver of those conditions at closing) in accordance with the terms of the Merger Agreement.

(b) On the Plan Effective Date, the following shall automatically occur, and with steps (i) through (iii) taking effect first, which shall take effect simultaneously, followed immediately thereafter by step (iv):

(i) The Company shall, by operation of Section 7312, become a stock life insurance company;

(ii) The Converted Company shall issue the Shares to Holdco in exchange for the Holdco Interests;

(iii) All of the Policyholders' rights, title and interests in the Policyholder Membership Interests shall terminate, and the Holdco Interests shall be distributed by the Converted Company to the Paying Agent for the benefit of the Eligible Policyholders; and

(iv) The transactions described in the second and third paragraphs of Section 3.3 of this Plan shall be effected, in the sequence set forth in such paragraphs.

(c) The Paying Agent (as defined in the Merger Agreement) shall pay the Policyholder Consideration to Eligible Policyholders within sixty (60) days after the Plan Effective Date in accordance with, and subject to the conditions of, Article VII.

#### 5.2 *Continuation of Corporate Existence; Company Name.*

Upon the Reorganization, (a) the Converted Company's corporate existence as a stock life insurance company shall be a continuation of the Company's corporate existence as a mutual life insurance company and (b) the Converted Company's name shall be "SBLI USA Life Insurance Company, Inc."

#### 5.3 *Notice of Hearing.*

(a) As soon as reasonably practicable following the Adoption Date, but in any event not less than 30 days before the Superintendent's public hearing pursuant to Section 7312(i), the Company shall mail notice of the Superintendent's public hearing to all Voting Policyholders. The notice of hearing shall set forth the date, time, place and purpose of the Superintendent's public hearing.

(b) The notice of hearing shall be preceded or accompanied by information relevant to the hearing, including a copy of the Plan, excluding but summarizing certain of the exhibits and schedules thereto, a summary of the Plan approved by the Superintendent and such other explanatory information as the Superintendent shall approve or require.

(c) The Company shall also give notice of the date, time, place and purpose of the Superintendent's public hearing by publication in three newspapers of general circulation, one in New York County and two in other cities approved by the Superintendent. Such newspaper publications shall be made not less than 15 days nor more than 60 days before the hearing, and shall be in a form approved by the Superintendent.

#### 5.4 *Notice of Vote.*

(a) As soon as reasonably practicable following the Adoption Date, but in any event not less than 30 days before the vote by Voting Policyholders pursuant to Section 7312(k), the Company shall mail notice of the vote to all Voting Policyholders. The notice of vote shall set forth the date, time and place of the vote, and it shall be accompanied by a form of ballot. The notice of vote may be mailed with the notice of hearing.

(b) The notice of vote shall be preceded or accompanied by information relevant to the vote, including a copy of the Plan, excluding but summarizing certain of the exhibits and schedules thereto, a summary of the Plan approved by the Superintendent and such other explanatory information as the Superintendent shall approve or require.

(c) Beginning on the date that the first notice is mailed pursuant to Section 5.3 or this Section 5.4 and continuing until the date on which Voting Policyholders are eligible to vote on the proposal to approve the Plan, the Company shall also make available at its offices from 10 a.m. to 3 p.m., Eastern Time, Monday through Friday, except days on which the Company is closed for business, copies of the Plan, including the exhibits and schedules thereto, a summary of the Plan approved by the Superintendent and such other explanatory information as the Superintendent shall approve or require, for inspection by Policyholders and the general public.

#### 5.5 *Policyholder Vote.*

(a) A vote on the proposal to approve the Plan shall be held at the time and place specified in the notice of vote, which shall be from 10 a.m. to 4 p.m. Eastern Time at the home office of the Company, on a date that is at least 30 days after completion of the mailing of the notice of vote to the Voting Policyholders.

(b) Each Voting Policyholder shall be entitled to one vote pursuant to Section 7312(k)(2), irrespective of the number or amount of Policies owned by such Voting Policyholder.

(c) Voting Policyholders may cast their votes either in person, by mail or by appointing a designated proxy agent, pursuant to rules established by the Company.

#### 5.6 *Approval and Filing of Plan.*

(a) If the Plan is approved by at least two-thirds of the votes validly cast, the Company shall promptly submit the appropriate documents and certifications to the Superintendent pursuant to Section 7312(k)(11).

(b) Upon approval of the Plan by the Superintendent and certification of approval of the Plan by the Voting Policyholders has been made to the Superintendent, the Company shall, as soon as practicable thereafter, file a copy of the Plan certified by the Superintendent in the office of the Superintendent and the Clerk of New York County pursuant to Section 7312(l).

#### 5.7 *Tax Considerations.*

The Plan shall not become effective unless, on or prior to the Plan Effective Date, the Company shall have obtained an opinion of Willkie Farr & Gallagher LLP (the "Tax Opinion"), substantially in the form set forth in Exhibit F.

## ARTICLE VI

### POLICY OWNERSHIP AND IN FORCE DATES

#### 6.1 *Determination of Ownership.*

Unless otherwise stated herein, the Owner of any Policy as of any date shall be determined on the basis of the Company's records as of such date in accordance with the following provisions:

(a) The Owner of a Policy that is an individual insurance policy or annuity contract (including each Certificate deemed to be a Policy pursuant to Section 6.3 below) shall be the Person specified in such Policy as the owner or contract holder unless no owner or contract holder is so specified, in which case (i) the Owner of a Policy that is an individual policy of life insurance or of accident and health insurance shall be deemed to be the Person insured, if such Policy was issued upon the application of such Person, or the Person who effectuated such Policy, if such Policy was issued on the application of a Person other than the Person insured, and (ii) the Owner of a Policy that is an annuity or pure endowment contract shall be deemed to be the Person to whom such Policy is payable by its terms, exclusive of any beneficiaries, contingent owners or contingent payees.

(b) Except as specified in Section 6.3 below, the Owner of a Policy that is a group insurance policy shall be the Person or Persons specified in the master Policy as the policyholder, unless no policyholder is so specified, in which case the Owner shall be the Person or Persons to whom or in whose name the master Policy shall have been issued and held, as shown on the Company's records.

(c) Notwithstanding subsections (a) and (b) of this Section 6.1, the Owner of a Policy that has been assigned to another Person by an assignment of ownership thereof absolute on its face and filed with the Company in accordance with the provisions of such Policy and the Company's rules with respect to the assignment of such Policy in effect at the time of such assignment shall be the assignee of such Policy as shown on the records of the Company. Unless an assignment satisfies the requirements specified for such an assignment in this subsection (c), the determination of the Owner of a Policy shall be made without giving effect to such assignment.

(d) In no event may there be more than one Owner of a Policy, although more than one Person may constitute a single Owner. When one Policy has more than one Person specified in such Policy as the owner or as the holder of rights (other than the right to dividend values, to designate or change a beneficiary, to elect or change a settlement or dividend option or to assign or change a designation of rights under the Policy, and other than the rights of a collateral assignee, none of which constitutes ownership rights under a Policy) or who would otherwise be treated as an Owner pursuant to this Section 6.1, all such Persons shall be deemed, collectively, to be the single Owner of such Policy and to be entitled to a single vote as a Voting Policyholder. In the event that different Persons own a Policy as trustees for the same trust as shown by the tax identification number associated with such Persons in the Company's records, the trust (and not such Persons) shall be deemed one Owner.

(e) Except as otherwise set forth in this Article VI, the identity of the Owner of a Policy shall be determined without giving effect to any interest of any other Person in such Policy.

(f) Subject to subsection (h) of this Section 6.1, in any situation not expressly covered by the foregoing provisions of this Section 6.1, the determination of the identity of the Owner of a Policy shall be made in good faith by the Company on the basis of its records, and, except for bona fide administrative errors, the Company shall not examine or consider any other facts or circumstances.

(g) The mailing address of an Owner as of any date for purposes of the Reorganization shall be the Owner's last known address as shown on the records of the Company on such date or, if such address is not shown on the records of the Company, then the mailing address of an Owner as of any date for purposes of the Reorganization shall be the premium payor's last known address as shown on the records of the Company.

(h) Any dispute as to the identity of the Owner of a Policy or the right to vote or receive Policyholder Consideration shall be resolved in accordance with procedures acceptable to the Superintendent and, if applicable, Section 7312(k)(4).

(i) The Owner of a supplementary contract or other settlement option issued in settlement of the proceeds under any of the Company's insurance policies or annuity contracts shall be the Person entitled to payment at such date under such contract or option.

(j) In the event that the Owner(s), any successor(s) specified in the Policy and any other Person(s) who would otherwise be deemed to be the Owner under Section 6.1(a) have all died, then the Owner shall be deemed to be the insured under the Policy.

(k) The Company will follow its standard procedures to locate Owners of Policies whose whereabouts are unknown as of the Plan Effective Date and to hold any funds allocated to such Owners under the Plan in accordance with the abandoned property laws of each relevant state.

## 6.2 *In Force Dates.*

(a) Except as otherwise provided in Section 6.3, a Policy shall be deemed to be in force (“In Force”) as of any date if, as shown on the Company’s records on such date, the Policy Date of such Policy occurs on or prior to such date, and as of such date the required premium has been received by the Company and such Policy, as shown on the Company’s records on such date, has not matured by death or otherwise or been surrendered or otherwise terminated; provided that (i) a Policy that is a life insurance policy shall be deemed to be In Force after lapse for nonpayment of premiums during any applicable grace period or other similar period however denominated as administered by the Company and, if applicable, for so long as it continues as reduced paid-up insurance or as extended term insurance on the records of the Company, (ii) except as otherwise provided in Section 6.2(c), a Policy that is a supplementary contract or other settlement option issued in settlement of proceeds under any of the Company’s insurance policies or annuity contracts shall be deemed to be In Force in accordance with its effective date as shown on the Company’s records on any determination date, without regard to any prior period during which a predecessor Policy was In Force, (iii) a Policy that has been reinstated after not being In Force shall be deemed to be In Force commencing on the date of reinstatement of the reinstated Policy, as shown on the records of the Company, without regard to any prior period during which such Policy was In Force, unless both the termination of the Policy and its reinstatement occurred between the Adoption Date and the Plan Effective Date, in which case the Policy shall be deemed, for purposes of the Plan, to have been continuously In Force during the period between the Adoption Date and the Plan Effective Date, (iv) a Policy that is an individual life insurance policy issued with preliminary term insurance shall be deemed to be In Force on the Policy Date of the individual life insurance policy, and (v) an individual Policy shall not be deemed to be In Force on any date if on that date the Policy has terminated and the Company’s only obligations with respect to such Policy are to the policyholder of such Policy on disability under such Policy or are for unpaid claims incurred under such Policy prior to its termination.

(b) Notwithstanding the fact that a new Policy has been issued as a result of the exercise of a right under a predecessor Policy, such new Policy shall be deemed to be In Force in accordance with its Policy Date, without regard to the Policy Date of the predecessor Policy.

(c) Notwithstanding the provisions of clause (ii) of Section 6.2(a), a Policy that is a supplementary contract or other settlement option issued in settlement of proceeds under an annuity contract in the following instance shall be deemed to be In Force in accordance with the Policy Date of the predecessor Policy under which said proceeds were payable: maturity settlement of fixed and flexible premium retirement annuity contracts where the annuitant accepts the default settlement option of life income with ten years certain on maturity.

(d) A Policy shall not be deemed to be In Force until it is issued, notwithstanding that temporary insurance upon the application for such Policy may have been In Force prior to the Policy Date of such Policy.

(e) For purposes of this Section 6.2, a Policy shall not be deemed to have matured by death as of any date unless notice of such death has been received by the Company on or prior to such date, as shown on the Company’s records. The date of the surrender or lapse of a Policy shall be as shown on the Company’s records.

## 6.3 *Certain Group Policies and Contracts.*

(a) The Owner of a Policy that is a group insurance policy shall be the Person or Persons specified in the master Policy as the policyholder, not the Person to whom any Certificate has been issued, except as otherwise provided in this Section 6.3 with respect to certain group insurance policies and contracts where the rights of Persons to whom Certificates have been issued are in the nature of the rights of Owners of Policies.

(b) Each Certificate issued to the Person covered under any of the Company’s financial institution group life, group mortgage life or financial institution group accidental death and dismemberment insurance policies issued to a financial institution or trust established by the Company for the purpose of providing coverage under such insurance policies to individuals shall be deemed to be a Policy, the Owner of which shall be determined in accordance with the provisions for determining the Owner of an individual insurance policy or annuity contract set forth in Section 6.1 above, and shall be deemed to be In Force as of any date if, as shown on the Company’s records on such date, such Certificate’s Policy Date occurs on or prior to such date and such Certificate has not terminated on or before such date. The financial institution or trustee of any such trust established by the Company shall not be a Voting Policyholder or an Eligible Policyholder or an Owner for the financial institution group life or accident and health insurance policy issued.

(c) Each Certificate issued to the Person covered under any of the Company’s group life or accident and health insurance policies issued to an association or to the trustees of a trust established, or participated in, by one or more associations to insure association members shall be deemed to be a Policy, the Owner of which shall be determined in accordance with the provisions for determining the Owner of an individual insurance policy or annuity contract set forth in Section 6.1 above, and shall be deemed to

be In Force as of any date if, as shown on the Company's records on such date, such Certificate's Policy Date occurs on or prior to such date and such Certificate has not terminated on or before such date. Any such association or the trustee of any such trust shall not be a Voting Policyholder or an Eligible Policyholder or an Owner for the group life or accident and health insurance policy issued.

6.4 *Retained Asset Accounts.*

The holder of a retained asset account issued by the Company is not the Owner of a Policy under the Plan and, therefore, is not a Voting Policyholder or an Eligible Policyholder.

## ARTICLE VII

### ALLOCATION AND PAYMENT OF POLICYHOLDER CONSIDERATION

7.1 *Policyholder Consideration.*

The Eligible Policyholders shall exchange their Policyholder Membership Interests for the Holdco Interests, which shall, in connection with the Redemptions and the Merger described in Section 3.3 herein, be converted into or exchanged for the right to receive consideration (the "Policyholder Consideration") in an amount equal to the Final Cash Consideration, which is comprised of the Merger Cash Consideration paid by Acquisition LLC and the Redemption Cash Consideration paid by the Converted Company, in each case, to the Paying Agent (as defined in the Merger Agreement), for distribution to the Eligible Policyholders, under the terms of the Merger Agreement.

7.2 *Allocation.*

Each Eligible Policyholder shall be allocated a portion of the Policyholder Consideration, in the form of cash, in an amount equal to the amount of the Policyholder Consideration divided by the total number of Eligible Policyholders.

## ARTICLE VIII

### METHOD OF OPERATION FOR PARTICIPATING BUSINESS

8.1 *Establishment of the Closed Block and Closed Block Funding Adjustment.*

The Closed Block Business shall be operated by the Converted Company as a closed block of participating business for the exclusive benefit of the Policies included therein, for policyholder dividend purposes only (the "Closed Block"). As set forth in the Closed Block Memorandum attached as Schedule 2 (the "Closed Block Memorandum"), assets of the Company shall be allocated to the Closed Block as of September 30, 2012 (the "Closed Block Calculation Date") in an amount that produces cash flows which, together with anticipated revenue from the Closed Block Business, are reasonably expected to be sufficient to support the Closed Block Business. The Closed Block will not be funded for any expenses or taxes, other than to fund (i) a charge of a fixed percentage of premium in lieu of commissions, service fees and premium, franchise and similar taxes, and (ii) federal income taxes as determined pursuant to the formula set forth in the Closed Block Memorandum. The Closed Block funding will be calculated as of the Closed Block Calculation Date at a level anticipated to provide for continuation of 2013 payable dividend scales if the experience underlying such dividend scales continues, and for appropriate adjustments in such dividend scales if the experience changes. Certain assets of the Company were allocated to the Closed Block. Exhibit D sets forth a description of the Company's assets that were allocated to the Closed Block as of the Closed Block Calculation Date (such assets, collectively, the "Closed Block Assets"). The Closed Block Funding Adjustment may occur with respect to the Closed Block Assets if the actual experience of the Closed Block between September 30, 2012 and December 31, 2013 deviates from the assumptions underlying the Closed Block funding calculation as described in the Closed Block Memorandum. The Sponsor has agreed to cause the Company to complete the analysis necessary to determine the Closed Block Funding Adjustment, if any, within one year of the Plan Effective Date. Policy loans, accrued interest and due and deferred premiums were allocated to the Closed Block as of the Closed Block Calculation Date as described in the Closed Block Memorandum, attached as Schedule 2 hereto. The amount of the Company's assets required to support the Closed Block as of the Closed Block Calculation Date were determined as set forth in the Closed Block Memorandum. The Closed Block Assets and such policy loans, accrued interest and due and deferred premiums shall be brought forward from the Closed Block Calculation Date in accordance with the principles set forth in Section 8.2 and the Closed Block Memorandum. Notwithstanding anything to the contrary, the funding of and allocation of assets to the Closed Block shall at all times be determined in accordance with the assumptions, methodologies and model set forth in the Closed Block Memorandum, and the Closed Block Calculation Date will continue to be September 30, 2012.

## 8.2 *Operation of the Closed Block.*

(a) Insurance and investment cash flows on and after the Plan Effective Date from operations of the Closed Block Business, the Closed Block Assets, and, as described in the Closed Block Memorandum, all other assets acquired by or allocated to the Closed Block, shall be received by or withdrawn from the Closed Block in accordance with the principles set forth in this Section 8.2(a).

(i) With respect to insurance cash flows:

(A) Cash premiums, cash repayments of policy loans and policy loan interest paid in cash on Closed Block Business shall be received by the Closed Block. Death, surrender and maturity benefits (including any interest allowed for delayed payment of benefits) paid in cash, policy loans taken in cash, annuity and other income benefits and dividends paid in cash, all with respect to Closed Block Business, shall be withdrawn from the Closed Block.

(B) Cash shall be withdrawn from the Closed Block in the amount of 3% of collected premiums in lieu of state and local premium taxes. Cash payments with respect to the reinsurance treaties considered in the development of the Closed Block funding shall be withdrawn from or received by the Closed Block.

(C) Cash shall be withdrawn from the Closed Block in the amount of 3% of collected premiums in lieu of commissions and service fees.

(D) Cash payments shall be received by or withdrawn from the Closed Block for Federal income taxes in accordance with the tax sharing procedure described in Section IV of the Closed Block Memorandum.

(E) No cash shall be withdrawn from the Closed Block with respect to expenses, other than as provided in Section 8.2(a)(ii), and the Closed Block shall not be charged for any such expense.

(ii) With respect to investment cash flows:

(A) Cash payments for equity real estate acquired upon foreclosure of, reasonable and customary operating expenses of, and equity real estate taxes (as reported in such Annual Statement) on, any Closed Block assets that are investments in equity real estate shall be withdrawn from the Closed Block.

(B) Cash received on dispositions of investments shall be net of all reasonable and customary brokerage and other transaction expenses, including taxes, that are deducted in reporting proceeds of such sales in the Converted Company's Annual Statement to the Superintendent. Cash paid for expenses in acquiring an investment shall be withdrawn from the Closed Block to the extent included in the cost of such investment in the Converted Company's Annual Statement to the Superintendent.

(C) Investment management expenses shall not be withdrawn from or charged to the Closed Block.

(b) No assets shall be reallocated or transferred between the Closed Block and any other portion of the Converted Company's general account or any of its separate accounts or any Person (directly or indirectly) controlling, controlled by or under common control with the Converted Company or the Sponsor within the meaning of Section 1501 of the New York Insurance Law (an "affiliate") without the prior approval of the Superintendent. The Converted Company shall not permit any other transaction between the Closed Block and any other portion of the Converted Company's general account or any of its separate accounts or any affiliate of the Converted Company or the Sponsor which, if entered into between the Converted Company and the Sponsor or any affiliate of the Converted Company or the Sponsor, would under Section 1505 of the New York Insurance Law be subject to the Superintendent's prior approval, or prior notice and nondisapproval, without such prior approval or such prior notice and nondisapproval, as the case may be. For purposes of the preceding sentence, in applying the percentages referred to in Section 1505 of the New York Insurance Law, references to "the insurer's admitted assets" shall be deemed to refer to admitted assets of the Closed Block.

(c) (i) Dividends on Closed Block Business shall be apportioned annually by the Board in accordance with applicable law and with the objective of minimizing tontine effects and exhausting assets allocated to the Closed Block with the final payment made with respect to the last Policy contained in the Closed Block.

(ii) The Converted Company shall submit periodic reports to the Superintendent of the operation of the Closed Block. Such reports shall include the opinion of an independent actuary who would be a "qualified actuary" pursuant to Section 4217 of the New York Insurance Law (as it may be amended from time to time) and shall be submitted by July 1 of

the fifth year following the year in which the Plan Effective Date occurs and by July 1 of each fifth year thereafter for so long as the Superintendent may require. The independent actuary shall opine whether the Converted Company, in setting dividend scales for Closed Block Business, has acted in accordance with the provisions of this Article VIII.

(d) The Converted Company shall provide as supplemental schedules to its Annual Statements for the years commencing after the year in which the Plan Effective Date occurs (i) financial schedules, consisting of the information required by Annual Statement pages 2, 3, 4 and 5, and (ii) investment schedules, consisting of the information required by Annual Statement Schedules A, B, BA, D and E (or comparable information under financial reporting requirements as they may be established from time to time for the Converted Company as a whole by the Superintendent after the Adoption Date), in each case for the Closed Block. By July 1 of the year subsequent to the year being reported, the Converted Company's independent public accountants shall furnish to the Converted Company, and the Converted Company shall submit to the Superintendent, an opinion on the financial statements of the Converted Company, which opinion shall encompass the foregoing financial schedules of the Closed Block.

(e) None of the assets, including the revenue therefrom, allocated to the Closed Block or acquired by the Closed Block shall revert to the benefit of stockholders of the Converted Company.

### 8.3 *Guaranteed Benefits.*

The Converted Company shall pay all guaranteed benefits for Closed Block Business in accordance with the terms of the Policies contained in the Closed Block. The assets allocated to the Closed Block are the Converted Company's assets and are subject to the same liabilities (in the same priority) as all assets in the Converted Company's general account.

### 8.4 *Other Participating Policies.*

(a) Participating Policies In Force on the Plan Effective Date that are not included in the Closed Block Business shall continue to be participating Policies and will be entitled to dividends in accordance with their terms, the Company's past practices and New York law.

(b) Ordinary term insurance Policies, including 5-Year Renewable Term Policies and 20-Year, 25-Year and 30-Year Decreasing Term Policies that are not included in the Closed Block Business shall be entitled to dividends based on the Company's 2013 dividend scale and such dividend scale shall not be changed after the Plan Effective Date unless the Superintendent's prior approval is obtained.

## ARTICLE IX

### PLAN OF OPERATIONS; NEW PARTICIPATING BUSINESS

#### 9.1 *Plan of Operations.*

The Converted Company's Plan of Operations, including ten-year actuarial projections, is set forth as Exhibit E hereto. Such Plan of Operations and projections represent the Company's current estimates and expectations based on the assumptions used in their preparation and may change in the future (subject to any required approvals of the Superintendent).

#### 9.2 *No New Participating Business.*

The Converted Company does not intend to continue issuing participating individual life insurance policies after the Plan Effective Date.

## ARTICLE X

### ADDITIONAL PROVISIONS

10.1 *Acquisition of Securities by Certain Officers, Directors and Employees.* Prior to, and for a period of five years following the distribution of the Policyholder Consideration to Eligible Policyholders pursuant to Section 5.1(c) and in accordance with, and subject to the conditions of, Article VII, no officer, director or employee of the Company, including their family members and their spouses, shall directly or indirectly offer to acquire or shall acquire in any manner the beneficial ownership of any securities of the Company, Acquisition LLC or the Sponsor unless the acquisition is (i) made pursuant to a stock option or other plan approved by the Superintendent or (ii) made pursuant to this Plan.

(b) For purposes of this Section 10.1, the terms "beneficial ownership", "family member" and "securities" have the meanings given them in Section 7312(w).

10.2 *Compensation of Officers, Directors and Employees.*

No officer, director or employee of the Company shall receive any fee or other consideration, other than regular salary, director fees or consideration as a Policyholder in connection with the Plan.

10.3 *Amendment or Withdrawal of Plan.*

At any time prior to the Plan Effective Date, the Board may amend, modify, terminate or withdraw the Plan (including the Exhibits and Schedules) in accordance with Section 7312(f) and the Merger Agreement. No amendment made after the public hearing or after the vote of Voting Policyholders may change the Plan in a manner that the Superintendent determines is materially disadvantageous to any Policyholder unless a further hearing or vote is conducted as provided by Section 7312(f). If the Plan is withdrawn, amended, modified or terminated by the Company without the Sponsor's consent as described in the Merger Agreement, then the Sponsor may have the right to terminate the Merger Agreement in accordance with its terms.

10.4 *Costs and Expenses.*

The Company shall deliver to the Superintendent written undertakings in compliance with Section 7312(p). If the closing under the Merger Agreement is consummated, Sponsor shall cause Acquisition LLC to reimburse the Converted Company in an amount up to the lesser of (i) \$4 million or (ii) the reasonable, documented third-party costs and expenses incurred by the Company in connection with the conversion of the Company from a mutual insurance company to a stock corporation pursuant to the Plan, the Merger Agreement and Section 7312 plus (without duplication) any such reasonable, documented third-party costs and expenses paid by the Company on behalf of the New York Department of Financial Services in connection with the conversion of the Company from a mutual insurance company to a stock corporation pursuant to the Plan, the Merger Agreement and Section 7312.

10.5 *Governing Law.*

The terms of the Plan shall be governed by and construed in accordance with the law of the State of New York.

10.6 *Corrections.*

The Company may, until the earlier of the mailings required by Section 5.3 and Section 5.4, by an instrument executed by its Chairman of the Board, President or any Executive Vice President, attested by its Secretary or Assistant Secretary under its corporate seal and submitted to the Superintendent, make such modifications of a non-material nature as are appropriate to correct errors, clarify existing items or make additions to correct manifest omissions in the Plan (including the Exhibits and Schedules); provided that the Sponsor's consent will be obtained for any amendments, supplements and other modifications as to which the consent of the Sponsor is required pursuant to the Merger Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, SBLI USA Mutual Life Insurance Company, Inc., by authority of its Board of Directors, has caused this Plan to be signed by its President and its corporate seal to be affixed hereto attested by its Secretary on July 8, 2014.

SBLI USA MUTUAL LIFE INSURANCE  
COMPANY, INC.

By: /s/ Michael Akker

Name: Michael Akker

Title: President

[Seal]

Attest:

By: /s/ Debra E. Klugman

Name: Debra E. Klugman

Title: Secretary

**Annex B**  
**Exhibits and Summaries of Exhibits to the Plan of Reorganization**

The Form of Amended and Restated Charter of SBLI USA Life Insurance Company, Inc. upon the effectiveness of the sponsored demutualization, which is Exhibit A to the Plan, the Form of the Certificate of Amendment to the Amended and Restated Charter of SBLI USA Life Insurance Company, Inc. upon consummation of the Redemption, which is Exhibit B to the Plan, and the Form of Amended and Restated By-Laws of SBLI USA Life Insurance Company, Inc., which is Exhibit C to the Plan, are included herein in their entirety. The other Exhibits and Schedules to the Plan are summarized on the following pages and are qualified in their entirety by reference to the complete text of such Exhibits and Schedules. Any capitalized term used in the summaries but not defined therein shall have the meaning set forth in the Plan.

**Exhibit A**

**Form of Amended and Restated Charter of SBLI USA Life Insurance Company, Inc.**

**AMENDED AND RESTATED CHARTER**

**OF**

**SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC.**

We, the undersigned, being the President and Secretary of SBLI USA Mutual Life Insurance Company, Inc. (the "Corporation"), hereby certify:

1. The name of the Corporation is SBLI USA Mutual Life Insurance Company, Inc. The name under which the Corporation originally was incorporated was SBLI Mutual Life Insurance Company of New York, Inc.
2. The Charter of the Corporation, then known as SBLI Mutual Life Insurance Company of New York, Inc., was originally filed on August 30, 1999 with the Insurance Department of the State of New York.
3. The Charter of the Corporation, as now in effect and as amended to date, is hereby amended and restated in its entirety to read as follows:

**AMENDED AND RESTATED CHARTER**

**OF**

**SBLI USA LIFE INSURANCE COMPANY, INC.**

**ARTICLE I.**

**CORPORATE NAME**

The name of the Corporation shall be "SBLI USA Life Insurance Company, Inc."

**ARTICLE II.**

**STOCK COMPANY**

The Corporation shall be a stock corporation.

**ARTICLE III.**

**PLACE OF BUSINESS**

The Corporation shall be located and have its principal place of business in the City, County and State of New York.

**ARTICLE IV.**

**BUSINESS OF THE CORPORATION**

The business of the Corporation and the kinds of insurance, permitted under paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law, to be undertaken by it shall be as follows:

(1) "Life insurance," meaning every insurance upon the lives of human beings, and every insurance appertaining thereto, including the granting of endowment benefits, additional benefits in the event of death by accident, additional benefits to safeguard the contract from lapse, accelerated payments of part or all of the death benefit or a special surrender value upon (A) diagnosis of terminal illness defined as a life expectancy of twelve months or less, (B) diagnosis of a medical condition requiring extraordinary medical care or treatment regardless of life expectancy, (C) certification by a licensed health care practitioner of any condition which requires continuous care for the remainder of the insured's life in an eligible facility or at home when the insured is chronically ill as defined by Section 7702(B) of the Internal Revenue Code and regulations thereunder, provided the accelerated payments qualify under Section 101(g)(3) of the Internal Revenue Code and all other applicable sections of federal law in order to maintain favorable tax treatment, (D) certification by a licensed health care practitioner that the insured is chronically ill as defined by Section 7702(B) of the Internal

Revenue Code and regulations thereunder, provided the accelerated payments qualify under Section 101(g)(3) of the Internal Revenue Code and all other applicable sections of federal law in order to maintain favorable tax treatment and the insurer that issues such policy is a qualified long term care insurance carrier under Section 4980c of the Internal Revenue Code or provide a special surrender value, upon total and permanent disability of the insured, and optional modes of settlement of proceeds or (E) the insured's having been a resident of a nursing home, as defined in section twenty-eight hundred one of the Public Health Law of the State of New York, for a period of three months or more, with an expectation that such insured will remain a resident of a nursing home until death. "Life insurance" also includes additional benefits to safeguard the contract against lapse in the event of unemployment of the insured or in the event the insured is a resident of a nursing home. Amounts paid the Corporation for life insurance and proceeds applied under optional modes of settlement or under dividend options may be allocated by the Corporation to one or more separate accounts pursuant to section four thousand two hundred forty of the Insurance Law of the State of New York.

(2) "Annuities," meaning all agreements to make periodical payments for a period certain or where the making or continuance of all or some of a series of such payments, or the amount of any such payment, depends upon the continuance of human life, except payments made under the authority of paragraph one hereof. Amounts paid the Corporation to provide annuities and proceeds applied under optional modes of settlement or under dividend options may be allocated by the Corporation to one or more separate accounts pursuant to section four thousand two hundred forty of the Insurance Law of the State of New York.

(3) "Accident and health insurance," meaning (i) insurance against death or personal injury by accident or by any specified kind or kinds of accident and insurance against sickness, ailment or bodily injury, including insurance providing disability benefits pursuant to article nine of the Workers' Compensation Law of the State of New York except as specified in item (ii) hereof; and (ii) non-cancellable disability insurance, meaning insurance against disability resulting from sickness, ailment or bodily injury (but excluding insurance solely against accidental injury) under any contract which does not give the Corporation the option to cancel or otherwise terminate the contract at or after one year from its effective date or renewal date.

The Corporation shall be empowered to conduct each insurance business as each may from time to time be defined in Section 1113(a) of the Insurance Law of the State of New York or any successor statute or statutes. The Corporation shall also have the general rights, powers and privileges now or hereafter granted by the Insurance Law or any other law of the State of New York to stock life insurance companies authorized to do the kinds of business hereinabove referred to and any and all other rights, powers and privileges of a corporation, as the same may now or hereafter be declared by applicable law.

## **ARTICLE V.**

### **CORPORATE POWERS**

SECTION 1. The corporate powers of the Corporation shall be exercised by a Board of Directors, by committees thereof and by such officers and agents as the Board of Directors or such committees may empower.

SECTION 2. The Board of Directors shall consist of not less than seven directors nor more than thirty directors as may be determined by the Board of Directors by resolution adopted by a majority of the then authorized number of directors; provided, however, that no decrease in the authorized number of directors shall shorten the term of any incumbent director. The Board of Directors shall have power to make and prescribe such bylaws, rules and regulations for the transaction of the business of the Corporation and the conduct of its affairs, not inconsistent with the laws of the State of New York or this charter, as may be deemed expedient, and to amend or repeal such bylaws, rules and regulations.

SECTION 3. The Board of Directors shall have power to declare, by bylaw, what number of directors, not less than a majority of the authorized number of directors, shall constitute a quorum for the transaction of business.

## **ARTICLE VI.**

### **ELECTION OF DIRECTORS**

SECTION 1. The directors of the Corporation shall be elected by the shareholders as prescribed by Section 4211 of the Insurance Law of the State of New York. The officers of the Corporation shall be elected at the annual organization meeting of the Board of Directors to be held on a date fixed by the Board of Directors.

SECTION 2. An annual election of directors shall be held each year on a date fixed by the Board of Directors in the months of February or March at a location specified in the notice of such election. The Superintendent of Financial Services of the State of New York shall also be notified as to the date and location of the annual meeting to elect the directors.

SECTION 3. A director may be removed with or without cause by the majority vote of the shareholders at any of their meetings. A director may also be removed for cause by the vote of a majority of the remaining directors at a special meeting of the Board of Directors called by the President or Secretary, at the request of the Department of Financial Services of the State of New York.

SECTION 4. Vacancies in the Board of Directors, including vacancies resulting from any increase in the authorized number of directors, may be filled by the Board of Directors. Notice of any election of a director or directors under the provisions of this section shall be given to the Department of Financial Services of the State of New York in a manner and to the extent required by law.

SECTION 5. Each director shall be at least eighteen years of age and at all times a majority of directors shall be citizens and residents of the United States. Not less than one director shall be a resident of the State of New York. At least one-third, and in any event not less than three, of all directors shall be persons who are not officers or employees of the Corporation or any entity controlling, controlled by, or under common control of the Corporation, and who are not beneficial owners of a controlling interest in the voting stock of the Corporation or any such entity.

SECTION 6. The names and city and state of residence of the directors who shall serve until the first annual meeting of the Corporation are as follows:

SECTION 7. No director shall be personally liable to the Corporation or any of its shareholders for damages for any breach of duty as a director; provided, however, that the foregoing provision shall not eliminate or limit (i) the liability of a director if a judgment or other final adjudication adverse to him or her established that his or her acts or omissions were in bad faith or involved intentional misconduct or any violation of the Insurance Law or a knowing violation of any other law or that he or she personally gained in "fact a financial profit or other advantage to which he or she was not legally entitled" or (ii) the liability of a director for any act or omission prior to the adoption of this amendment by the shareholders of the Corporation.

## **ARTICLE VII.**

### **CAPITAL STOCK**

The capital of the Corporation shall be \$2,880,000 and shall consist of 72,000 shares of a par value of \$40 per share.

## **ARTICLE VIII.**

### **AMENDMENTS**

The Corporation reserves the right to amend, alter, or repeal any provisions contained herein in the manner now or hereafter prescribed by the statutes of New York, and all rights and powers conferred herein are granted subject to this reservation, upon such minimum vote of the shareholders entitled to vote thereon as may at the time be prescribed or permitted by the laws of the State of New York, or upon such larger vote as may then be required hereby. The Corporation further reserves the right, in the manner and upon the vote of a majority of the shares entitled to vote, to accept and avail itself of, or subject itself to, all provisions of any statutes of New York hereafter adopted pertaining to corporations formed for the purpose of carrying on the business of insurance, and to exercise all of the rights, powers and privileges conferred, and to cause all of the obligations and duties imposed by any of such statutes.

## **ARTICLE IX.**

### **DURATION**

The duration of the Corporation shall be perpetual.

**IN WITNESS WHEREOF**, SBLI USA Mutual Life Insurance Company, Inc. has caused this Certificate to be executed for it by its President and Secretary this \_\_\_\_ day of \_\_\_\_\_, 2014.

SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC.

BY : \_\_\_\_\_  
Name:  
Title: President

BY : \_\_\_\_\_  
Name:  
Title: Secretary

**Exhibit B**

**Form of the Certificate of Amendment to the Amended and Restated Charter  
of SBLI USA Life Insurance Company, Inc. Following the Redemption**

**CERTIFICATE OF AMENDMENT**  
**OF**  
**AMENDED AND RESTATED CHARTER**  
**OF**  
**SBLI USA LIFE INSURANCE COMPANY, INC.**

Pursuant to the provisions of Section 1206 of the New York Insurance Laws and Section 805 of the New York Business Corporation Laws, the undersigned, , being the , and , being the , of SBLI USA Life Insurance Company, Inc. (the “Corporation”), hereby certify as follows:

- FIRST:** The name of the Corporation is “SBLI USA Life Insurance Company, Inc.”
- SECOND:** The Charter of the Corporation as now in force and effect is set forth in the Amended and Restated Charter of SBLI USA Life Insurance Company, Inc., filed in the office of the Superintendent of Financial Services of the State of New York on ●. The Charter of the Corporation, then known as SBLI Mutual Life Insurance Company of New York, Inc., was originally filed on August 30, 1999 with the Insurance Department of the State of New York.
- THIRD:** The amendment of the Amended and Restated Charter effected by this Certificate of Amendment is to amend Article VII to decrease the capital of the Corporation from Two Million Eight Hundred Eighty Thousand Dollars (\$2,880,000.00) to Two Million Two Hundred Eighty Thousand Dollars (\$2,280,000.00) and to decrease the number of shares of common stock that the Corporation shall have the authority to issue from 72,000 to 57,000.
- FOURTH:** Article VII of the Amended and Restated Charter is hereby amended to read in its entirety as follows:
1. “Article VII. CAPITAL STOCK. The capital of the Corporation shall be \$2,280,000.00 and shall consist of 57,000 shares of a par value of \$40 per share.”
- FIFTH:** The foregoing amendment of the Amended and Restated Charter of the Corporation was authorized by the Board of Directors of the Corporation by unanimous written consent dated as of ●, and by action of the sole shareholder of the Corporation on ●.

IN WITNESS WHEREOF, the above named officers, acting for and on behalf of the Corporation, have hereunto subscribed their names and caused it to be verified on this \_\_\_ day of \_\_\_\_\_, 2014.

SBLI USA LIFE INSURANCE COMPANY, INC.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

State of New York  
County of New York

Subscribed and sworn to before me  
on this day \_\_\_\_\_, 2014.

\_\_\_\_\_  
Notary Public

**Exhibit C**

**Form of Amended and Restated By-Laws of SBLI USA Life Insurance Company, Inc.**

**AMENDED AND RESTATED**

**BY-LAWS**

**OF**

**SBLI USA Life Insurance Company, Inc.  
(the “Company”)**

**Article I**

**Amended and Restated Charter**

*Section 1.1* The name and purpose of the Company shall be as set forth in the Company’s Charter, as in effect upon the adoption hereof and as may be subsequently further amended from time to time (the “Amended and Restated Charter”). These by-laws, the powers of the Company and of its directors and shareholders, and all matters concerning the conduct and regulation of the business and affairs of the Company shall be subject to such provisions in regard thereto, if any, as are set forth in the Amended and Restated Charter.

**Article II**

**Offices**

*Section 2.1* The principal office of the Company shall be located in the City, County and State of New York. The Company, in addition to its principal office, may also establish and maintain such other offices and places of business, within or without the State of New York, as the Board may from time to time determine.

**Article III**

**Shareholders**

*Section 3.1* The annual meeting of the shareholders of the Company for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held in the month of February or March as stated in the notice of the meeting. The place of the meeting shall be the principal office of the Company, or such other place, within or without the State of New York, as may be fixed by the Board and stated in the notice of the meeting.

*Section 3.2* A special meeting of the shareholders may be called at any time by the President or the Board, and shall be called by the President upon the written request of at least one-third of the shareholders of record entitled to vote, such written request to state the purpose or purposes of the meeting and to be delivered to the President. All special meetings shall be held at the principal office of the Company, or at such other place, within or without the State of New York, as may be designated by the President, at a date and time to be fixed by the President, which date shall not be later than thirty days from the date of receipt of such written request.

*Section 3.3* Except as otherwise required by law, a written notice of each meeting of shareholders, whether annual or special, stating the place, date and hour of the meeting, shall be given not less than ten nor more than fifty days before the meeting to each shareholder of record entitled to vote at such meeting. No notice of any meeting of shareholders need be given to a shareholder if a written waiver of notice, executed before, during or after the meeting by such shareholder or his attorney thereunto duly authorized, is filed with the records or the meeting, or to any shareholder who shall attend such meeting in person or by proxy otherwise than for the express purpose of objecting, prior to the conclusion of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, or to any shareholder with whom communication is at the time unlawful.

*Section 3.4* Except as otherwise required by law, the Amended and Restated Charter or these by-laws, at all meetings of shareholders, the holders of a majority of the shares entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. In the absence of a quorum, any officer entitled to preside over or act as secretary of such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum be present. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days or a new record date is fixed, notice of adjournment of a meeting of shareholders to another time or place shall be given to each shareholder of record entitled to vote at such meeting.

*Section 3.5* Shareholders entitled to vote shall have one vote for each share of stock, and a proportionate vote for a fractional share of stock, entitled to vote held by them of record according to the records of the Company. The Company shall not, directly or indirectly, vote any share of its own stock. The vote upon any question shall be by ballot whenever requested by any person entitled to vote but, unless such a request is made, voting may be conducted in any way approved by the meeting. In the absence of a higher standard required by law, the Amended and Restated Charter or these by-laws, any matter properly before a meeting of shareholders shall be decided by a majority of the votes cast thereon.

*Section 3.6* Shareholders entitled to vote at a meeting or to express consent or dissent without a meeting may vote either in person or by proxy in writing dated not more than six months before the meeting named therein, which proxy shall be filed with the Secretary or other person responsible to record the proceedings of the meeting before being voted. Unless otherwise specifically limited by their terms, such proxies shall entitle the holders thereof to vote at any adjournment of such meeting but shall not be valid after eleven months from its date, unless the proxy provides for a longer period. The Secretary shall determine the validity of any proxy submitted for use at any meeting.

*Section 3.7* Unless otherwise provided by law, all informalities and irregularities in calls, notices of meetings and in the manner of voting, form of proxy, credentials and methods of ascertaining those present, shall be deemed waived if no objection is made thereto at the meeting.

*Section 3.8* So far as permitted by law, any action required or permitted to be taken at any meeting of shareholders may be taken without a meeting if a written consent setting forth such action is signed by all the shareholders entitled to vote thereon and such written consent is filed with the records of the Company. Written consent thus given shall have the same effect as a unanimous vote of shareholders.

## **Article IV**

### **Board of Directors**

*Section 4.1* The business of the Company shall be managed by the Board, which may exercise all such powers of the Company and do all such lawful acts and things as are not by law, the Amended and Restated Charter or by-laws directed or required to be exercised or done by the shareholders. Each director shall be at least eighteen years of age. Not less than one of the directors shall be a resident of the State of New York, and a majority of the directors shall be citizens and residents of the United States. At least one-third, and in any event no less than three, of the directors shall be persons who are not officers or employees of the Company or of any entity controlling, controlled by, or under common control with the Company and who are not beneficial owners of a controlling interest in the voting stock of the Company or any such entity. A director meeting the qualifications of the immediately preceding sentence is hereinafter referred to as a "Non-Affiliated Director." No director need be a shareholder.

*Section 4.2* A regular meeting of the Board for the election of officers and for the transaction of such other business as may properly come before the meeting shall be held without notice at the place where the annual meeting of shareholders is held, immediately following such meeting. The Board by resolution shall provide for and hold additional regular meetings as requested, with or without notice, and shall fix the times and places, within or without the State of New York, at which such meetings shall be held.

*Section 4.3* A special meeting of the Board shall be held whenever called by the President or by any four directors. All special meetings shall be held at a date, time and place to be fixed by the President, and the President shall direct the Secretary to give notice of each special meeting to each director by mail at least ten days before such meeting is to be held or in person or by telephone, telegraph or electronic mail at least five days before such meeting. Such notice shall state the date, time, place and purposes of such meeting. Notice of a meeting need not be given to any director if a written waiver of notice, executed by him or her before, during or after the meeting, is filed with the records of the meeting.

*Section 4.4* Any one or more members of the Board or any committee thereof may participate in any meeting of the Board or such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting of the Board or such committee for quorum and voting purposes.

*Section 4.5* Any action which is required or permitted to be taken by the Board or any committee thereof may be taken without a meeting if all members of the Board or such committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Board or such committee shall be filed with the minutes of the proceedings of the Board or committee.

*Section 4.6* The authorized number of directors of the Company shall be such number, not less than seven nor more than thirty, as may be determined by a majority of the authorized number of directors immediately prior to any such determination; provided, however, that no decrease in the authorized number of directors shall shorten the term of any incumbent director. The directors shall be elected annually by the shareholders entitled to vote at the annual meeting of shareholders, by a majority of the votes at such election. Each director, whether elected at an annual meeting or pursuant to Section 4.9 hereof, shall continue in office until the annual meeting of shareholders held next after his election and until his successor shall have been elected and qualified or until his earlier death, resignation or removal in the manner hereinafter provided. No election of directors shall be valid unless a notice of election shall have been filed with the Department of Financial Services of the State of New York in a manner and to the extent required by law. A majority of the authorized number of directors shall constitute a quorum for the transaction of business; provided, however, that at least one Non-Affiliated Director and one Shareholders' Designee must be present to constitute a quorum. Except as otherwise provided by law or these by-laws, the vote of a majority of the directors present at a meeting of the Board at the time of the vote, if a quorum is present at such time, shall be the act of the Board; provided, however that one of the votes included with the vote of a majority of directors present must have been cast by a Shareholders' Designee in order for such vote of a majority of the directors present to constitute an act of the Board. A majority of the directors present, whether or not a quorum shall be present, may adjourn any meeting. Notice of the time and place of an adjourned meeting of the Board shall be given if and as determined by a majority of the directors present at the time of the adjournment. "Shareholders' Designee" shall mean one or more directors designated as such by a majority vote of the Company's shareholders at the annual meeting or at a special meeting of shareholders. Such designation may be changed from time to time by a majority vote of the Company's shareholders at any such meeting.

*Section 4.7* If a Chairman is elected by the Board, the Chairman shall preside at meetings of the Board. Otherwise, the Board shall determine who among the directors, and in what order, shall preside at meetings of the Board. In the event of the absence or disability of all such directors, the Board shall select one of its members present to preside.

*Section 4.8* The title of Chair Emeritus or Director Emeritus may be conferred by the Board of Directors upon any former Chairman or Director of the Board who has brought credit and distinction to the Company through long and faithful service. The titles hereby created are honorary only and do not carry the powers, duties, or obligations of a Chairman or Director of the Board of this Company or any other power, duty or obligation once the Chairman's or Director's term has expired. The titles may be conferred upon as many persons as the Board deems appropriate. A Chair Emeritus or Director Emeritus shall not be deemed a Chairman or Director of the Board once his or her term expires, but may attend meetings of the Board and may not vote.

*Section 4.9* Any vacancy in the Board, including any vacancy resulting from an increase in the authorized number of directors, may be filled, until the next annual election of directors, at any regular or special meeting of the Board by the affirmative vote of a majority of the remaining directors. Any such vacancy may also be filled by the shareholders entitled to vote for the election of directors at any meeting held during the existence of such vacancy.

*Section 4.10* Any director may resign at any time by giving written notice of such resignation to either the Board, the President or the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Board or by the President or Secretary. Any director may be removed either with or without cause at any time by the affirmative vote of the shareholders of record holding a majority of the outstanding shares of the Company entitled to vote for the election of directors, given at a meeting of the shareholders called for that purpose, or by the holders of a majority of the outstanding shares entitled to vote for the election of directors without holding a meeting or notice but by merely presenting their majority to the Secretary of the Company in writing for the removal of a director or directors without cause. Any director may be removed with cause by a majority of the total number of directors constituting the entire Board at a meeting of the Board.

*Section 4.11* The Board may authorize payment or a retainer fee to one or more of the directors in instances where, in the discretion of the Board, such payment is deemed appropriate. Other than such payments, if any, directors, as such, shall not be compensated for their services but by resolution of the Board may be paid a fee for attendance at each meeting of the Board or a committee thereof; provided, however, that no director shall be paid a fee, whether by retainer, for attendance, or otherwise, if such director is also a salaried officer of the Company. Nothing herein contained shall prevent any director from serving the Company in any other capacity or receiving compensation therefor.

## **Article V**

### **Committees**

*Section 5.1* The Board shall have the following standing committees, each consisting of not less than three directors as shall be determined by the Board:

Audit Committee

Executive Committee

Nominating, Governance and Human Resources Committee

All members of the Audit Committee and the Nominating, Governance and Human Resources Committee shall be Non-Affiliated Directors and at least one-third of the members of any other committee shall be Non-Affiliated Directors.

*Section 5.2* At the annual organization meeting each year the Board, by act of the Board in accordance with Section 4.6, shall designate from among the directors the members of the standing committees and from among the members of each such committee a chairman thereof, who shall serve as such, at the pleasure of the Board, so long as they shall continue in office as directors until the next annual organization meeting and thereafter until the appointment of their successors. The Board may by similar resolution designate one or more directors as alternate members of such committees, who may replace any absent member or members at any meeting of such committees; provided, however, that any alternate member of the Audit Committee or the Nominating, Governance and Human Resources Committee must be a Non-Affiliated Director. Vacancies in the membership or chairmanship of any standing committee may be filled in the same manner as original designations at any regular or special meeting of the Board, and the President may designate from among the remaining members of any standing committee whose chairmanship is vacant a chairman who shall serve until a successor is designated by the Board.

*Section 5.3* Meetings of each standing committee shall be held upon call of the President, or upon call of the chairman of such standing committee or two members of such standing committee. Meetings of each standing committee may also be held at such other times as it may determine. Meetings of a standing committee shall be held at such places and upon such notice as it shall determine or as shall be specified in the calls of such meetings. Any such chairman, if present, shall preside at meetings thereof. In the absence of such chairman, the committee shall select from among its members present a presiding officer. Holders of a majority of the shares of the Company shall have the right to designate persons to exercise observer status with respect to all meetings and all other actions and activities of any committee, and such observers shall receive notices of, receive materials presented to or by, and have the right to attend and participate in (but not vote at) meetings of any such committee. Meetings of a standing committee may be attended by (i) directors and observers who are officers of the Company and are not members of such committee unless the chairman of such committee requests otherwise and (ii) directors and observers who are not officers of the Company and are not members of such committee.

*Section 5.4* At each meeting of any standing committee there shall be present to constitute a quorum for the transaction of business at least a majority of the members, at least one of whom is a Non-Affiliated Director and, except in the case of the Audit Committee and the Nominating, Governance and Human Resources Committee, one of whom is a director who is a Shareholders' Designee. Any alternate member who is replacing an absent member shall be counted in determining whether a quorum is present, subject to the requirements of the foregoing sentence. The vote of a majority of the members present at a meeting of any standing committee at the time of the vote, if a quorum is present at such time, shall be the act of such committee; provided, however, that except in the case of the Audit Committee and the Nominating, Governance and Human Resources Committee, one of the votes included with the vote of a majority of members present must have been cast by a Shareholders' Designee in order for such vote of a majority of the members present to constitute an act of such committee.

*Section 5.5* Each of the standing committees shall keep minutes of its meetings which shall be reported to the Board at its regular meetings and, if called for by the Board, at any special meeting.

*Section 5.6* The Audit Committee shall have responsibility for (i) recommending the selection of independent certified public accountants, (ii) reviewing the Company's financial condition, the scope and results of the independent audit and any internal audit and (iii) any other matters that are delegated to the Audit Committee by the Board; and in respect to such matters may require such reports from the officer in charge of auditing for the Company as it may deem necessary or desirable.

*Section 5.7* The Executive Committee may, to the extent permitted by law, exercise all powers of the Board during intervals between meetings of the Board.

*Section 5.8* The Nominating, Governance and Human Resources Committee shall nominate candidates for director for annual election by shareholders or in the event of any vacancy on the Board, evaluate the performance of officers deemed by such committee to be principal officers of the Company, and recommend to the Board the selection and compensation of such principal officers and any plan to issue options to any officers or employees of the Company for the purchase of shares of stock.

*Section 5.9* The Board may, by act of the Board in accordance with Section 4.6, designate other standing or special committees, each consisting of three or more directors of the Company, which committees, except as otherwise prescribed by law, shall have and may exercise the authority of the Board to the extent provided in the resolutions designating such committees. Nothing herein shall be deemed to prevent the President from appointing one or more special committees of directors for the purpose of advising the President; provided, however, that no such committee shall have or may exercise any authority of the Board.

## **Article VI**

### **Officers**

*Section 6.1* At the annual organization meeting each year the Board shall elect a President. The Board shall also elect a Secretary and a Treasurer and may elect one or more Vice Presidents (including Executive Vice Presidents), all of whom shall hold their offices until the election of successors. Any two or more offices may be held by the same person, except that the offices of President and Secretary shall not be held by the same person. The Board may also elect one or more Assistant Secretaries and Assistant Treasurers. The President, any Executive Vice Presidents elected or appointed by the Board, the Secretary and the Treasurer shall be principal officers of the Company for purposes of Section 5.8 of Article V of these by-laws. If a vacancy occurs in any office for any reason, such vacancy may be filled by the Board at a regular or special meeting of the Board. Notwithstanding the prior provisions of this Section 6.1, any officer elected or appointed by the Board may be removed at any time by act of the Board in accordance with Section 4.6. The Board may appoint such other officers as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. The salaries of all officers of the Company shall be fixed by the Board.

*Section 6.2* Any officer may resign at any time by giving written notice of such resignation to the Board or to the President or the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Board, the President or the Secretary.

*Section 6.3* A vacancy in any office because of death, resignation, removal or any other cause shall be filled for the unexpired portion of the term in the manner prescribed by these by-laws for the regular election or appointment to such office.

*Section 6.4* The salaries or other compensation of the officers shall be fixed from time to time by the Board and no officers shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a director of the Company; provided, however, that no directors shall be paid a fee, whether by retainer, for attendance, or otherwise, if such director is also a salaried officer of the Company.

*Section 6.5* Subject to the control of the Board and to the extent not otherwise prescribed by these by-laws, the President shall be the chief executive officer of the Company, shall supervise the carrying out of the policies adopted or approved by the Board, shall have responsibility for the general and active management of the business and affairs of the Company, shall see that all orders and resolutions of the Board are carried into effect, and shall possess such other powers and perform such other duties as may be incident to the office of President.

*Section 6.6* The Executive Vice President or, if there shall be more than one, the Executive Vice Presidents in the order determined by the Board, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

*Section 6.7* The Secretary shall attend all meetings of the Board and record all proceedings of the meetings of the Board in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all special meetings of the Board, and shall perform such other duties as may be prescribed by the Board or President. The Secretary shall have custody of the corporate seal of the Company and he or she and the Assistant Secretary, shall have authority to affix the same to any instrument requiring it and, when so affixed, it may be attested by the Secretary's signature or the signature of such Assistant Secretary. The Board may give general authority to any other officer to affix the seal of the Company and to attest the affixing by such officer's signature.

*Section 6.8* The Assistant Secretary or, if there be more than one, the Assistant Secretaries in the order determined by the Board, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

*Section 6.9* The Treasurer shall have the custody of the Company's funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the

President and the Board at its regular meetings, or when the Board so requires, an account of all transactions and of the financial condition of the Company.

*Section 6.10* The Assistant Treasurer, or, if there shall be more than one, the Assistant Treasurers in the order determined by the Board, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

## **Article VII**

### **Execution of Papers**

*Section 7.1* Any officer, or any employee designated for such purpose by the President shall have the power to execute all instruments in writing necessary or desirable for the Company to execute in the transaction and management of its business and affairs, including, without limitation, contracts and agreements, transfers of bonds, stocks, notes and other securities, proxies, powers of attorney, deeds, leases, releases, satisfactions and instruments entitled to be recorded in any jurisdiction, but excluding, to the extent otherwise provided for in these by-laws, authorizations for the disposition of the funds of the Company deposited in its name and policies, contracts, agreements, amendments and endorsements of, for or in connection with insurance or annuities.

*Section 7.2* All policies, contracts, agreements, amendments and endorsements, executed by the Company as insurer, of, for or in connection with insurance or annuities shall bear such signature or signatures of such officer or officers as may be designated for such purpose by the Board.

*Section 7.3* All instruments necessary or desirable for the Company to execute in the transaction and management of its business and affairs, including those set forth in Section 7.2, may be executed by use of facsimile signatures to the extent authorized by the Board or a committee thereof. If any officer or employee whose facsimile signature has been placed upon any form of instrument shall have ceased to be such officer or employee before an instrument in such form is issued, such instrument may be issued with the same effect as if such person had been such officer or employee at the time of its issue.

## **Article VIII**

### **Indemnification**

*Section 8.1* Each director or officer of the Company, whether or not then in office, and any person whose testator or intestate was such a director or officer, shall be indemnified by the Company for the defense of, or in connection with, any threatened, pending or completed actions or proceedings and appeals therein, whether civil, criminal, administrative or investigative, in accordance with and to the fullest extent permitted by the law of the State of New York or other applicable law, as such law now exists or may hereafter be adopted or amended, against, without limitation, all judgments, fines, amounts paid in settlements, and all expenses, including attorneys' and other experts' fees, costs and disbursements, actually and reasonably incurred by such person as a result of such action or proceeding, or actually and reasonably incurred by such person (a) in making an application for payment of such expenses before any court or other governmental body, or (b) in otherwise seeking to enforce the provisions of this Section 8.1, or (c) in securing or enforcing such person's right under any policy or director or officer liability insurance provided by the Company; provided, however, that the Company shall provide indemnification in connection with an action or proceeding (or part thereof) initiated by such a director or officer only if such action or proceeding (or part thereof) was authorized by the Board.

*Section 8.2* Expenses incurred by a director or officer in connection with any action or proceeding as to which indemnification may be given under Section 8.1 may be paid by the Company in advance of the final disposition of such action or proceeding upon (a) the receipt of an undertaking by or on behalf of such director or officer to repay such advancement in case such director or officer is ultimately found not to be entitled to indemnification as authorized by this Article VIII and (b) approval by the Board acting by a quorum consisting of directors who are not parties to such action or proceeding or, if such a quorum is not obtainable, then approval by the shareholders. To the extent permitted by law, the Board or, if applicable, the shareholders, shall not be required to find that the director or officer has met the applicable standard of conduct provided by law for indemnification in connection with such action or proceeding before the Company makes any advance payment of expenses hereunder.

*Section 8.3* To the extent permitted under applicable law, the rights of indemnification and to the advancement of expenses provided in this Article VIII (a) shall be available with respect to events occurring prior to the adoption of this Article VIII, (b) shall continue to exist after any rescission or restrictive amendment of this Article VIII with respect to events occurring prior to such rescission or amendment, (c) shall be interpreted on the basis of applicable law in effect at the time of the occurrence of the event or events giving rise to the action or proceeding or, at the sole discretion of the director or officer or, if applicable, the testator or intestate of such director or officer seeking such rights, on the basis of applicable law in effect at the time such rights are claimed and (d) shall

be in the nature of contract rights that may be enforced in any court of competent jurisdiction as if the Company and the director or officer for whom such rights are sought were parties to a separate written agreement.

*Section 8.4* The rights of indemnification and to the advancement of expenses provided in this Article VIII shall not be deemed exclusive of any other rights to which any director or officer of the Company or other person may now or hereafter be otherwise entitled whether contained in the Amended and Restated Charter, these by-laws, a resolution of the shareholders, a resolution of the Board or an agreement providing for such indemnification, the creation of such other rights being hereby expressly authorized. Without limiting the generality of the foregoing, the rights of indemnification and to the advancement of expenses provided in this Article VIII shall not be deemed exclusive of any rights, pursuant to statute or otherwise, of any director or officer of the Company or other person in any action or proceeding to have assessed or allowed in his or her favor, against the Company or otherwise, his or her costs and expenses incurred therein or in connection therewith or any part thereof.

*Section 8.5* The Company shall have the power to purchase and maintain insurance to indemnify (i) the Company for any obligation which it incurs as a result of the indemnification of directors and officers under the provisions of this Article VIII, (ii) directors and officers in instances in which they may be indemnified by the Company under the provisions of this Article VIII and (iii) the Company for any obligation which it incurs and directors and officers under any indemnification provided in the Amended and Restated Charter or by-laws, a resolution of shareholders, a resolution of directors, or any agreement.

## **Article IX**

### **Amendment of By-laws**

*Section 9.1* These by-laws may be amended, changed or repealed by the Board, except that the Board may take no action which, by law or the Amended and Restated Charter, is required to be taken by the shareholders, or which excludes or limits the right of a shareholder to vote on a matter. Any by-law so amended, changed or repealed by the directors may be further altered or amended or reinstated by the shareholders in the manner provided below. These by-laws may be amended, changed or repealed by a majority vote of the shareholders present at any annual meeting or at a special meeting called for that purpose, provided that the notice of any such annual or special meeting shall specify the subject matter of the proposed amendment, change or repeal and provided that any such proposed amendment, change or repeal shall have been submitted in writing and filed with the Secretary at least five days prior to such meeting.

## **Article X**

### **Conflicts of Interest**

*Section 10.1* No director, officer or employee of the Company shall have any position with or a substantial interest in any other business enterprise operated for profit, the existence of which would conflict or might reasonably be supposed to conflict with the proper performance of his Company duties or responsibilities, or which might tend to affect his independence of judgment with respect to transactions between the Company and such other business enterprise, without full and complete disclosure thereof to the Board. Each director, officer or employee who has such a conflicting or possibly conflicting interest with respect to any transactions which he knows is under consideration by the Board, is required to make timely disclosure thereof so that it may be part of the directors' consideration of the transaction.

*Section 10.2* The holding of any office or position in any corporation affiliated with the Company or any corporation owning a majority of the stock of the Company and carrying out the duties of any such office or position shall not be deemed to be a conflicting interest; nor shall this Article X be construed to prevent the receipt of any salaries or other benefits from any corporation affiliated with the Company or from any corporation owning the majority of the stock of the Company. The ownership of one percent or more of the issued and outstanding stock of any corporation doing business with the Company or competing with the Company shall be considered to be a "substantial interest in any other business enterprise operated for profit"; provided, however, that ownership of the stock or other securities of any corporation affiliated with the Company or of any corporation owning a majority of the stock of the Company shall not be considered to be a conflicting interest.

*Section 10.3* None of the directors, officers and employees shall accept gifts, gratuities or favors of any kind from any person, firm or corporation doing business or seeking to do business with the Company under circumstances from which it could reasonably be inferred that the purpose of the gift, gratuity or favor could be to influence the said director, officer or employee in the conduct of Company transactions with the donor or the interest the donor is representing. Nothing in this Section 10.2 shall be construed to prohibit either the giving or the receiving of normal hospitality of a social nature or the normal practice of gift exchange on a reciprocal basis between persons having close personal relationships unrelated to business.

## **Article XI**

### **Capital Stock**

*Section 11.1* The total number of shares and the par value of all stock which the Company is authorized to issue shall be as stated in the Amended and Restated Charter.

*Section 11.2* Each shareholder shall be entitled to a certificate, signed by the President and the Treasurer or Secretary certifying the number and class of the shares owned by him in the Company. Such signatures may be facsimiles if the certificates are countersigned by a transfer agent or registered by a registrar other than the Company or its employees. Certificates for shares of the stock of the Company shall be in such form as shall be approved by the Board, and the seal of the Company shall be affixed thereto. There shall be entered upon the stock books of the Company the number of each certificate issued, the name of the person owning the shares represented thereby, the number of shares and the date thereof.

*Section 11.3* The Board may direct a new certificate or certificates to be issued in place of any certificate or certificates therefore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the owner claiming the certificate or certificates to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company with respect to the certificate or certificates alleged to have been lost, stolen or destroyed.

*Section 11.4* In order that the Company may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to a corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall be not more than fifty days nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting. Absent Board action, the record date shall be ten days before the date of such meeting.

*Section 11.5* Transfers of stock shall be made only upon the books of the Company, and only upon surrender to the Company or the transfer agent of the Company of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer.

*Section 11.6* Dividends upon the capital stock of the Company may be declared by the Board at any regular or special meeting and distributed as directed by the Board to the extent not in conflict with Section 4207 of the New York Insurance Law or any successor statute thereto.

## **Article XII**

### **Applications, Policies and Premiums**

*Section 12.1* The President, or a duly authorized Vice President, shall prescribe and approve all forms of policies issued by the Company, including all riders and provisions included in or attached to such policies, and the forms of applications therefor. The President, or a duly authorized Vice President, shall fix all rates of premiums. The Board shall determine from time to time the maximum amount of insurance to be issued on an individual life.

## **Article XIII**

### **Fiscal Year**

*Section 13.1* The fiscal year of the Company shall end on the last day of December annually.

## **Article XIV**

### **Notices**

*Section 14.1* Whenever, under the provisions of law, the Amended and Restated Charter or these by-laws, notice is required to be given to any director or shareholder, it shall not be construed to mean personal notice unless specifically allowed, but such notice

may be given in writing, by certified or registered mail or by electronic mail, in each case return receipt requested, addressed to such director or shareholder, at his address as it appears on the records of the Company, in the case of certified or registered mail with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same (i) shall be sent, in the case of electronic mail or (ii) shall be deposited in the United States mail, in the case of certified or registered mail.

## Exhibit D

### Summary of Closed Block Business

The “**Closed Block Business**” comprises the “**Closed Block Policies**,” which are traditional dividend-paying individual ordinary life insurance Policies, consisting of individual whole life Policies, limited payment whole life insurance Policies, endowment life insurance Policies, senior life Policies, single premium whole life Policies, endowment Policies, retirement income Policies, family plan Policies and life insurance Policies in effect under a nonforfeiture option, in each case with an experience-based dividend scale, which were issued by SBLI USA (x) before the Plan Effective Date and In Force on any date on or after the Plan Effective Date or (y) before the Plan Effective Date and eligible on the Plan Effective Date to be reinstated to a dividend-paying policy, in each case together with all riders (whenever issued), additional benefit provisions, dividend accumulations and options with respect to such life insurance Policies.

Notwithstanding anything to the contrary, Closed Block Business and the Closed Block Policies do not include the Excluded Policies.

The “**Excluded Policies**” are (i) any policy or contract issued on or after the Plan Effective Date and riders, additional benefit provisions, dividend accumulations and options with respect thereto, in each case regardless of when issued, (ii) supplementary contracts, individual annuities, 5-Year Renewable Term policies, 20-Year, 25-Year and 30-Year Decreasing Term policies, Financial Institutions Group Life Insurance, Financial Institution Group Accidental Death and Dismemberment (“**AD&D**”), Individual AD&D, Individual Disability Income, Group Mortgage Insurance, individual 1, 10, 15, 20, 30 year renewable term insurance policies, 15 year convertible and non-renewable term insurance policies and return of premium term policies and Retained Asset Accounts in each case regardless of when issued, (iii) any other kind of policy or contract, whenever issued or whenever in force, which is not an individual life insurance policy as described above in the first paragraph of this Summary of Closed Block Business, in each case regardless of when issued, and (iv) riders, additional benefit provisions, dividend accumulations and options with respect to any of the items referred to in this paragraph, in each case regardless of when issued.

Whole life policies issued as a conversion from term insurance will be included in the Closed Block if converted before the Plan Effective Date and will be excluded if converted on or after the Plan Effective Date.

The Closed Block will be funded initially with all policy loans (including due or accrued interest) on Closed Block Business, all due and deferred gross premiums on Closed Block Business, and invested assets selected from the Eligible Assets that back SBLI USA’s traditional life insurance business (including due and accrued interest) as determined by the calculations described in the Closed Block Memorandum. “**Eligible Assets**” are all invested assets except (1) common stock, (2) owned real estate, (3) mortgage loans or other long term assets reported in Schedule BA, (4) all Sub-Prime assets, (5) all Alt-A assets, (6) assets that were identified as having Other Than Temporary Impairments (OTTI) and were subject to write downs in carrying value, (7) all commercial mortgage backed securities (CMBS) managed by Torchlight Investors, and (8) any assets having NAIC Rating of 5 or 6.

The amount of assets allocated to the Closed Block will be calculated as of September 30, 2012. The funding of the Closed Block may be adjusted if the actual experience of the Closed Block between September 30, 2012 and December 31, 2013 deviates from the assumptions underlying the Closed Block funding calculation. Prosperity Life Insurance Group, LLC (“Prosperity”) committed to cause SBLI USA to complete the analysis necessary to determine the Closed Block funding adjustment, if any, within one year of the Plan Effective Date. Prosperity also committed and SBLI USA acknowledged that SBLI USA will not make certain interest payments under the capital note being sold to a subsidiary of Prosperity and will not make dividend payments on its stock until the Department approves the adjustment of the funding level of the Closed Block.

## **Exhibit E**

### **Summary of Plan of Operations and Ten-Year Projections**

The Plan of Operations of SBLI USA provides for the plans with respect to SBLI USA's business following the sponsored demutualization. SBLI USA currently does not sell new life insurance products. Following the sponsored demutualization, the Plan of Operations sets forth SBLI USA's plans to begin writing non-participating life insurance business. SBLI USA intends for these sales to come from bank and other independent distribution channels. The Plan of Operations also included statutory projections for SBLI USA for a ten-year period. These projections were prepared solely for the use of the New York Department of Financial Services.

## **Exhibit F**

### **Summary of Form of Tax Opinion**

This is a summary of the opinion of Willkie Farr & Gallagher LLP ("Willkie Farr") relative to the U.S. federal income tax treatment of the SBLI USA sponsored demutualization, the Redemption and the Merger, as provided in the Plan of Reorganization and the Merger Agreement.

Willkie Farr expects to render its opinion on or before the Plan Effective Date that, subject to certain assumptions and qualifications that are set forth in the opinion, the sponsored demutualization will be treated as a tax-free reorganization for U.S. federal income tax purposes and SBLI USA will not recognize gain or loss for such purposes by reason of the demutualization, or by reason of the capital note purchase, the Redemption or the Merger. Willkie Farr also expects to opine that these transactions will not affect the date on which SBLI USA's insurance policies were issued, entered into, purchased or came into existence for purposes of specified sections of the Code applicable to such policies or the Owners of such policies, as the case may be. Willkie Farr does not expect to express a view as to the tax consequences of the transactions beyond that specifically set forth in the opinion.

The foregoing is only a brief summary of Willkie Farr's expected opinion. You should refer to the opinion itself when issued in the case of any question regarding its scope.

## **Schedule 1**

### **Summary of Merger Agreement**

A summary of the terms of the Merger Agreement is set forth in the policyholder information booklet at "*Principal Terms of the Merger Agreement*."

## **Schedule 2**

### **Summary of Closed Block Memorandum**

The Closed Block Memorandum defines the procedures that were followed to determine the amount of SBLI USA's assets that will be used to fund the Closed Block as of the Plan Effective Date for the Closed Block Policies. The Closed Block Memorandum also describes the method of operation of the Closed Block after the Plan Effective Date. Actuarial models of insurance cash flows (including premiums, benefits, dividends and charges in lieu of commissions and specified taxes) were used to project future cash flows for the expected life of the Closed Block Policies assuming continuation of the experience assumptions (for example, mortality, persistency and investment results) deemed to underlie the 2013 dividend scales. Since the only expenses that will be charged to the Closed Block will be a percent of premium in lieu of specified taxes and commissions, these expenses were included in the projected insurance cash flows.

The insurance cash flow models produced, for each future year, the amount of cash generated or needed. Projected cash flows from the Closed Block Assets were added to that amount and a charge for Federal income taxes was subtracted. The net cash generated was then assumed to be reinvested at the investment return assumed to underlie the 2013 dividend scales. The Closed Block Memorandum defines the method for determining the charge for Federal income tax.

Based on such projections, an amount of assets for initial Closed Block funding as of the Closed Block Calculation Date for the Closed Block Policies on that date was calculated. This calculation took into account the requirement that such assets be an amount which, together with anticipated revenue from the Closed Block Policies, is reasonably expected to be sufficient in the aggregate to support the cash needed in the projected insurance cash flows, including continuation of the 2013 dividend scales, if the aggregate experience underlying such scales continues. Appropriate adjustments will be made to the dividend scale when actual

experience differs from the assumptions. The amount of assets necessary to fund the Closed Block as of the Closed Block Calculation Date was \$909,144,185 as of September 30, 2012.

The Closed Block Memorandum states that the Closed Block Assets as of the Closed Block Calculation Date shall be brought forward from the Closed Block Calculation Date to reflect actual premiums received and benefits and dividends paid with respect to the Closed Block Policies from the Closed Block Calculation Date together with investment income from the Closed Block Assets including policy loans and assets acquired for the Closed Block since the Closed Block Calculation Date and including a charge for Federal income tax and stated charges in lieu of commissions and specified taxes, subject to adjustment based on the actual experience of the Closed Block between the Closed Block Calculation Date and December 31, 2013. For the purposes of that calculation, Closed Block Policies include policies that would have been included in the Closed Block had they not terminated between the Closed Block Calculation Date and the Plan Effective Date. After the Plan Effective Date, the funding of the Closed Block may be adjusted if the actual experience of the Closed Block between September 30, 2012 and December 31, 2013 deviates from the assumptions underlying the Closed Block funding calculation. Prosperity committed to cause SBLI USA to complete the analysis necessary to determine the Closed Block funding adjustment, if any, within one year of the Plan Effective Date. Prosperity also committed and SBLI USA acknowledged that SBLI USA will not make certain interest payments under the capital note being sold to a subsidiary of Prosperity and will not make dividend payments on its stock until the Department approves the adjustment of the funding level of the Closed Block.

Annex C  
Fairness Opinion, dated as of November 22, 2013, of Sherman & Company



November 22, 2013

The Board of Directors  
SBLI USA Mutual Life Insurance Company, Inc.  
460 West 34th Street, Suite 800  
New York, NY 10001

Members of the Board of Directors:

You have requested that Sherman & Company LLC ("Sherman & Company", or alternatively "we", "us", "our") provide an opinion, from a financial point of view (the "Fairness Opinion"), to the Board of Directors of SBLI USA Mutual Life Insurance Company, Inc. (together with its subsidiaries and affiliates, "SBLI" or the "Company"), as to the fairness to the policyholders of SBLI of the proposed reorganization and subsequent merger with a newly created subsidiary of Prosperity Life Insurance Group, LLC (alone or together with its subsidiaries and affiliates, "Prosperity", "PLIG" or the "Buyer") in which SBLI USA Mutual Life Insurance Company, Inc. shall effect a sponsored demutualization and the Membership Interests, as defined by New York Code - Section 7312, of the Eligible Policyholders will be exchanged for cash consideration under the Plan of Reorganization under Section 7312 of The New York Insurance Law, the latest draft available of which was dated November 20, 2013 (the "Plan").

SBLI and Prosperity entered into a Stock Purchase and Investment Agreement dated October 15, 2012, and desire to amend that original agreement. SBLI proposes to enter into an Amended and Restated Stock Purchase and Investment Agreement (the "Agreement", the latest draft available of which is dated November 19, 2013) with Prosperity. Under the terms of the Agreement, SBLI will consummate the Plan under the laws of the State of New York, and demutualize. Post conversion to a stock company, SBLI will be renamed to remove "Mutual" from the name of the company and cause SBLI to become a direct, wholly-owned subsidiary of SBLI USA Holdings, Inc. ("Holdco"). Holdco will then merge with the newly formed subsidiary of PLIG, SBLI Acquisition LLC ("Merger Subsidiary"). Holdco will be the surviving entity of the Merger Subsidiary and Holdco merger, leaving Holdco as a direct wholly-owned subsidiary of PLIG. Capitalized terms not otherwise defined herein shall have the meanings as defined in the Plan or the Agreement.

Under the terms of the Plan:

- 1) SBLI will reorganize and become a stock insurance company and subsidiary of Holdco, which will merge with Merger Subsidiary.
- 2) SBLI Eligible Policyholders will receive \$36 million in cash, no amount of which will be paid out of existing surplus, as consideration for the extinguishment of their Membership Rights.
- 3) Prosperity and/or its affiliates will invest in SBLI through the purchase of \$7.5 million of capital notes and \$32.5 million in cash contributions, for an aggregate amount of \$40 million, \$4 million of which is to reimburse transaction costs. The remaining cash provided by the Buyer is to be used to fund the Eligible Policyholder's consideration.
- 4) SBLI will form a Closed Block to provide reasonable assurance to the owners of policies that sufficient assets will be available to continue to provide dividends throughout the life of such policies, based on the dividend scale payable for 2012 (as stated in the Agreement, the 2013 and 2014 dividend scales will be equal to those of 2012), assuming the

experience underlying that dividend scale continues, and allowing for appropriate adjustment in such dividend scale if the experience changes.

- 5) The reorganization must be approved by two-thirds of the Voting Policyholders, and the Superintendent of Financial Services of the State of New York, as detailed in the Plan. We express no view as to the sufficiency of this opinion for purposes of obtaining such approvals, or for any other regulatory or statutory purposes.

The terms and conditions of the transaction are more fully set forth in the Agreement, the Plan, the Draft Closed Block Memorandum (the latest draft as provided to us dated February 20, 2013) and the Draft Closed Block Funding Projection as of September 30, 2012, provided to us on October 14, 2013 (stated to be the most recent work) and the Term Sheet dated April 17, 2012.

Sherman & Company LLC is an investment bank dedicated exclusively to the insurance industry, providing a wide range of services that include professional advisory for mergers and acquisitions, capital raising, fairness opinions, valuations, and regulatory advisory. In the normal course of our business, we regularly value insurance companies in the context of advising clients in insurance related merger and acquisition transactions and in performing other related services.

Sherman & Company has not acted as financial advisor to SBLI in connection with this transaction, nor have we been engaged in any way as financial advisor to the Buyer. Per the terms of our engagement letter, we have acted exclusively for the Board of Directors of SBLI in rendering our fairness opinion, for which we will receive a fixed fee for our services that is neither contingent upon, nor tied to, the successful completion of the transaction contemplated or the amount of consideration received in such transaction, but is fully earned upon delivery of the fairness opinion itself. Additionally, under the terms of our engagement letter, SBLI has agreed to reimburse our transaction-related expenses and indemnify us against certain liabilities that could arise out of this engagement.

Sherman & Company has no ties to Prosperity, and has not received any compensation from Prosperity nor provided any services to Prosperity in the past. We have no discussions currently underway to serve in any advisory capacity that would lead to compensation, and as such we have no current expectations to receive compensation for any advisory services from the Buyer in the immediate future.

Other than compensation detailed under our engagement letter for this fairness opinion, Sherman & Company currently seeks no ancillary compensation from SBLI through other investment banking activities. Under the terms of our engagement letter dated October 11, 2013, we have been engaged as an advisor to provide our opinion on the fairness, from a financial point of view, to the policyholders of SBLI in the sponsored demutualization transaction contemplated under the Agreement and the Plan, under which certain consideration will be received by the policyholders of SBLI in exchange for the extinguishment of their Membership Rights.

Sherman & Company was engaged to determine through our analyses if such consideration falls within what we deem to be a range of fairness. In developing our opinion, we used certain generally accepted and proven valuation techniques and conducted a level of due diligence that we deemed appropriate.

Our opinion does not constitute a recommendation for the proposed transaction, nor does it include an evaluation of the business rationale to accept or reject the proposed transaction, or accept or reject any previously proposed transaction, nor does it evaluate or consider the merits of strategic alternatives available to the Company or any terms or other aspects of the transaction (other than as expressly specified herein). We have not been asked to evaluate, nor have we made a

recommendation as to whether this proposal is superior to any other proposal received by the Company. Our opinion makes no recommendation to the policyholders of the Company as to whether to act or to vote in favor of the transaction or against the transaction. We are not expressing any opinion about the fairness of the amount or of the nature of any compensation to the officers, directors, or employees of the Company relative to the policyholders. You have not asked us to express, nor have we expressed, any opinion as to which of the Company's policyholders are Eligible Policyholders or Voting Policyholders as defined in the Plan and/or the Agreement. You have not asked us to express, nor have we expressed, any opinion on whether the method of reorganization proposed to be adopted by the Board was superior to any other method.

In the course of preparing our opinion, we have reviewed certain publicly available information as well as information furnished to us by SBLI and its advisors. We have reviewed certain of SBLI's consolidated and consolidating annual and quarterly financial reports, variously audited and unaudited, statutory statements filed by SBLI, each as provided to us by the Company, its advisors, or as publicly available. We also reviewed certain unaudited financial information provided to us as draft information by SBLI in advance of its filing deadlines, which at the time of our review represented SBLI's best estimate of results for any time period elapsed but not yet included in any of SBLI's audited financial reports, unaudited quarterly financial reports, or the statutory filing of any subsidiary.

We have reviewed the Letter of Intent from Prosperity dated April 17, 2012, the Stock Purchase and Investment Agreement dated as of October 15, 2012, and the draft Amended and Restated Stock Purchase and Investment Agreement upon the terms of which Prosperity intends to acquire the stock of SBLI and invest in the Company dated November 19, 2013 (the latest draft as represented to us by the Company). We have reviewed the Draft Closed Block Memorandum (the latest draft as provided to us dated February 20, 2013) and the Draft Closed Block Funding Projection as of September 30, 2012, provided to us on October 14, 2013 (stated to be the most recent work). We have also reviewed the draft Plan of Reorganization of SBLI USA Mutual Life Insurance Company, Inc. under Section 7312 of the New York Insurance Law dated November 20, 2013 (again the latest draft as represented to us by the Company).

We have also reviewed certain management prepared internal analyses, financial forecasts, and summary financial and other information as we deemed appropriate, including, but not limited to, the most current schedules, listings and descriptions of the fixed assets, investment portfolio, reinsurance treaties, agreements with service providers, tax information, contracts with management, leaseholders, and investment managers, intercompany agreements, and various correspondences with regulatory bodies and ratings agencies. We have held discussions with certain senior officers of the Company, and discussed the current financial position of SBLI, its results of operations, relations with regulators, and the expectations or results of various strategic decisions made by the Company. We have reviewed the documents, material and data as provided by the Company relating to the transaction, and reviewed certain material prepared by actuarial and tax professionals engaged by the Company. We reviewed the aggregate reserves for life contracts, aggregate reserves for accident and health contracts, and liabilities for deposit type contracts as expressed in the financials and actuarial reviews, reports, and analyses prepared by internal and external actuaries. We reviewed the current market environment and the general state of the life and health insurance markets in particular. In the course of our review and in order to form our opinion, we have also performed various analyses and evaluations and examined other materials and information as we considered appropriate. In preparing our opinion, we used certain industry accepted and proven methods of valuation and certain industry analyses as we deemed necessary or appropriate.

Our opinion is based on the draft Agreement, the draft Plan, the Draft Closed Block Memorandum, the Draft Closed Block Funding Projection, and the Term Sheet, and the terms and conditions referenced therein. We assume that the offer as stated in those documents and other documents relating to the transaction will be the final offer, and that the Agreement will be consummated in accordance with those terms, without material waiver or change to the terms and conditions therein, and that, in the course of obtaining any necessary governmental, regulatory and other approvals, consents, releases, and waivers for the transaction, no material delay, limitation, restriction, or condition will occur. We also assume that the Representations and Warranties contained therein for the parties are true and correct, that all covenants contained therein will be adhered to, that all other additional agreements will be honored, and that closing conditions will be met.

In our review we have relied upon the completeness and the accuracy of the financial and other information publicly available and provided to us by the officers of the Company and have relied upon assurances of the officers of SBLI that they are not aware of any facts or circumstances that would make such information inaccurate or misleading in any material respect. We have undertaken no independent verification of, nor assume responsibility for, the completeness or the accuracy of the information reviewed. In connection with this opinion, we have reviewed management-prepared forecasts, which we assume are the best estimates available to management and reasonably prepared based on good faith judgments by management.

We have not undertaken to independently verify the aggregate reserves for life contracts, aggregate reserves for accident and health contracts, or liabilities for deposit type contracts, nor did we engage any third party to evaluate such reserves or liabilities. We express no opinion relating to the establishment, methodology or operation of the Closed Block, or the sufficiency of the assets to be allocated to the Closed Block, or the future dividend experience. We are not actuaries and assume that the reserves and liabilities for contracts as represented in various financials, reports, analyses, and projections are sufficient. Likewise, we assume that the amount of assets the Company has allocated to the Closed Block is sufficient. We did not undertake, nor were we provided, any independent valuation or appraisal of the assets or liabilities of SBLI, nor the collateral securing assets or liabilities of the Company or the collectability of any such assets, nor have we evaluated the solvency or fair value of SBLI under the rules of bankruptcy or insolvency or undertaken an independent determination of the surplus of the Company. We are not tax advisors and have relied on the information, both provided to us by the Company and its advisors and reflected in its financials, to be accurate with respect to such issues, and we have not undertaken to independently verify that information nor have we engaged a third party tax advisor to do so.

We have not reviewed or evaluated, nor have we engaged counsel or other professionals to review or evaluate, any pending litigation, arbitration, or regulatory proceedings, and we have made no other estimates of the probabilities of regulatory penalty or adverse decisions of any pending litigation, nor made any estimations of their effect, material or otherwise, on SBLI, its business, results of operations, financial condition, or cash flows. We have relied on the information, with the consent of the Company, both provided to us by the Company and its advisors for all such matters related to legal, actuarial, accounting, and taxation issues.

Our opinion is based on current information as of the date of this opinion, including, but not limited to, current financial and economic conditions. The credit, financial, and stock markets may experience volatility, and we express no opinion or view as to any potential effects of such volatility on SBLI, the Buyer, or the transaction. It should be understood that subsequent developments, including future changes to current financial and economic factors, may affect this opinion, and we do not have or undertake any obligation to update, revise, or reaffirm this opinion. The issuance of this opinion was approved by our fairness opinion committee.



It is understood that this opinion is for the information of the Board of Directors of the Company, and may not be used for any other purpose or quoted or referred to, in whole or in part, in any document without our prior written consent.

Based upon and subject to the foregoing, including the various assumptions, limitations, qualifications, and conditions set forth herein, it is Sherman & Company's opinion that, as to the date hereof, the consideration to be received by the policyholders of SBLI, taken in the aggregate, in connection with the reorganization pursuant to the Plan and sale pursuant to the Agreement, is fair, from a financial point of view.

Very truly yours,

*Sherman & Company LLC*

Sherman & Company LLC

Annex D

Actuarial Opinion with Respect to Closed Block, dated as of July 8, 2014, of Marc Slutzky of Milliman, Inc.



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July 8, 2014

The Board of Directors  
SBLI USA Mutual Life Insurance Company, Inc.  
460 West 34<sup>th</sup> Street  
New York, New York 10001-2320

**Re: Fairness Opinions Regarding the Establishment and Operation of a Closed Block Relating to the Plan of Reorganization of SBLI USA Mutual Life Insurance Company, Inc.**

**Subject of this Opinion Letter**

This opinion letter relates to the actuarial aspects of the proposed reorganization of SBLI USA Mutual Life Insurance Company, Inc. (“SBLI USA”) pursuant to its Plan of Reorganization (the “Plan”) as presented to SBLI USA’s Board of Directors on July 8, 2014 for its consideration and adoption. The specific opinions set forth herein relate to the establishment, operation and funding of a Closed Block, which is described in the Plan. Capitalized terms have the same meaning in this opinion as they have in the Plan.

**Qualifications and Usage**

I, Marc Slutzky, am associated with the firm of Milliman, Inc., (“Milliman”) and am a Member of the American Academy of Actuaries, qualified under the Academy’s Qualification Standards to render the opinions set forth herein. The Plan is based on authority in New York Insurance Law §7312 (“Section 7312”). The opinions set forth herein are not legal opinions concerning the Plan but rather reflect the application of actuarial concepts and standards of practice to the provisions thereof.

I am aware that this opinion letter will be furnished to the New York State Department of Financial Services for its use in determining the fairness of the Plan, and to SBLI USA’s Voting Policyholders as part of the Policyholder Information Booklet that will be delivered to them, and I consent to the use of this letter for those purposes.

## **Reliance**

In forming the opinions set forth in this memorandum, I have received from SBLI USA extensive information concerning SBLI USA's past and present practices and financial results. I, and other Milliman staff acting under my direction, met with SBLI USA personnel and defined the information we required; in all cases, we were provided with the information we requested to the extent that it was available or could be developed from SBLI USA's records. We have made no independent verification of this information, although we have reviewed it where practicable for general reasonableness and internal consistency. I have relied on this information, which was provided under the general direction of Ralph Meola, SBLI USA's Senior Vice President and Chief Actuary. My opinions depend on the substantial accuracy of this information.

## **Process**

In all cases, I and other Milliman staff acting under my direction either derived the results on which my opinions rest or reviewed derivations carried out by SBLI USA employees.

## **Opinion #1**

The Closed Block is described in Article VIII of the Plan. In my opinion:

1. The objective of the Closed Block as being for the exclusive benefit of the policies included therein, for policyholder dividend purposes only, as set forth in Article VIII of the Plan, is consistent with Section 7312 of the New York Insurance Law.
2. The operations of the Closed Block as set forth in Article VIII of the Plan and described in the Closed Block Memorandum, including the determination of the required initial funding and the manner in which cash flows are charged and credited to the Closed Block, are consistent with the objectives of the Closed Block.
3. The Closed Block funding, determined as of September 30, 2012, is adequate to establish the Closed Block, as set forth in Article VIII of the Plan (including the Closed Block Memorandum), because it is expected to produce cash flows which, together with anticipated revenues from the Closed Block Business, are reasonably expected to be sufficient to support the Closed Block Business including, but not limited to, provisions for payment of claims and certain expenses and taxes, and to provide for continuation of dividend scales payable in 2013, if the experience underlying such scales continues.
4. The Plan is consistent with the objective of the Closed Block as it provides a vehicle for SBLI USA's management to make appropriate adjustments to future dividend scales, where necessary, if the underlying experience changes from the experience underlying such dividend scales.

## Discussion

As to (1) above, Section 7312 of the New York Insurance Law provides for a mutual life insurance company to convert to a stock life insurance company using one of four "methods" as outlined in the law. SBLI is converting to a stock company using Method Four. Method Four within Section 7312 does not contain specific language that addresses the establishment of a Closed Block. Methods One and Two of Section 7312 both contain language that address the establishment of a Closed Block. The objective of the establishment of a Closed Block by SBLI USA, as set forth in Article VIII of the Plan, is consistent with (a) the objectives and guidelines contained in Methods One and Two of Section 7312, (b) prior demutualizations of mutual life insurance companies domiciled in New York, and (c) Actuarial Standard of Practice No. 33, *Actuarial Responsibilities with Respect to Closed Blocks in Mutual Life Insurance Company Conversions*, adopted by the Actuarial Standards Board in January, 1999 updated for deviation language effective May 1, 2011 ("ASOP 33").

As to (2) above, my opinion is based on my findings that the operations of the Closed Block as set forth in Article VIII of the Plan and described in the Closed Block Memorandum are consistent with the objective of the Closed Block. I have specifically considered that the cash flow items to be charged against or credited to the Closed Block as set forth in Article VIII of the Plan (including the Closed Block Memorandum), have been incorporated on a consistent basis in the determination of the Closed Block funding amount. These are consistent with ASOP 33.

As to (3) above, the Closed Block was funded as of September 30, 2012 based on a projection as of that date. The funding of the Closed Block may be adjusted if the actual experience of the Closed Block between September 30, 2012 and December 31, 2013 deviates from the assumptions underlying the Closed Block funding calculation. Prosperity Life Insurance Group, LLC committed to cause SBLI USA to complete the analysis necessary to determine this adjustment, if any, within one year of the Plan Effective Date. The opinion above is based on the results of that projection, which extends over the future life of all policies assigned to the Closed Block and which is based on the experience underlying the 2013 dividend scales and on the cash flows that are expected from assets allocable to the Closed Block. That projection, which assumes such experience continues unchanged, indicates that the assets, together with anticipated revenues from the Closed Block Business, are reasonably expected to be sufficient to provide for the continuation of these scales if the experience is unchanged.

As to (4) above, under the criteria set forth in Article VIII of the Plan the Closed Block is funded to a level anticipated to provide for continuation of 2013 payable dividend scales if the experience underlying such dividend scales continues, and for appropriate adjustments in such scales if the experience changes. Article VIII also provides that dividends on Closed Block Business shall be apportioned annually by the Board in accordance with applicable law and with the objective of minimizing tontine effects and exhausting assets allocated to the Closed Block with the final payment made with respect to the last Policy contained in the Closed Block, consistent with ASOP 33.

**Opinion #2**

In my opinion, the inclusion of policies in, and exclusion of policies from, the Closed Block, respectively defined in Article I of the Plan as the Closed Block Business and Closed Block Excluded Policies, is fair and reasonable and consistent with Section 7312. Section 8.4 of the Plan provides other methods for protecting the reasonable dividend expectations for certain participating policies not in the Closed Block. In my opinion, these other methods are reasonable and appropriate.

**Discussion**

Article I of the Plan defines the Closed Block Business referred to in Article VIII of the Plan. Closed Block Business means certain classes of policies which were issued by SBLI USA (a) before the Plan Effective Date and in force on any date on or after the Plan Effective Date or (b) before the Plan Effective Date and eligible on the Plan Effective Date to be reinstated to a dividend-paying policy, in each case together with all riders (whenever issued), additional benefit provisions, dividend accumulations and options with respect to such life insurance policies. The policies in the Closed Block are, in general, individual ordinary life insurance policies for which SBLI USA's 2013 dividend scale provides for experience-based dividends. This is consistent with the purpose of the Closed Block, which is to provide assurance of the future dividend treatment of such policies and contracts.

For certain small classes of individual life policies with current dividend scales but which are excluded from the Closed Block, the Plan provides reasonable assurances as to the continuation of the current dividend practices in the future. Such reasonable assurances are an appropriate way in which to deal with special classes of policies.

Sincerely,



Marc Slutzky  
Consulting Actuary

Annex E  
Actuarial Opinion with Respect to Allocation of Consideration, dated as of July 8, 2014,  
of Marc Slutzky of Milliman, Inc.



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July 8, 2014

The Board of Directors  
SBLI USA Mutual Life Insurance Company, Inc.  
460 West 34<sup>th</sup> Street  
New York, New York 10001-2320

**Re: Fairness Opinion Regarding the Allocation of Consideration Relating to the Plan of Reorganization of SBLI USA Mutual Life Insurance Company, Inc.**

**Subject of this Opinion**

This opinion letter relates to certain actuarial aspects of the proposed Reorganization of SBLI USA Mutual Life Insurance Company, Inc. (“SBLI USA”) pursuant to its Plan of Reorganization (the “Plan”) as presented to SBLI USA’s Board of Directors on July 8, 2014 for its consideration and adoption. The specific opinion set forth herein relates to the proposed allocation of consideration among Eligible Policyholders which is described in the Plan. Capitalized terms have the same meaning in this opinion as they have in the Plan.

**Qualifications and Usage**

I, Marc Slutzky, am associated with the firm of Milliman, Inc., (“Milliman”) and am a Member of the American Academy of Actuaries, qualified under the Academy’s Qualification Standards to render the opinions set forth herein. The Plan is based on authority in New York Insurance Law §7312(d)(4) (“§7312(d)(4)”). The opinions set forth herein are not legal opinions concerning the Plan but rather reflect the application of actuarial concepts and standards of practice to the provisions thereof.

I am aware that this opinion letter will be furnished to the New York State Department of Financial Services for its use in determining the fairness of the Plan, and to SBLI USA’s Voting Policyholders as part of the Policyholder Information Booklet that will be delivered to them, and I consent to the use of this letter for those purposes.

**Reliance**

In forming the opinions set forth in this letter, I have received from SBLI USA extensive information concerning SBLI USA's past and present practices and financial results. I, and other Milliman staff acting under my direction, met with SBLI USA personnel and defined the information we required; in all cases, we were provided with the information we requested to the extent that it was available or could be developed from SBLI USA's records. We have made no independent verification of this information, although we have reviewed it where practicable for general reasonableness and internal consistency. I have relied on this information, which was provided under the general direction of Ralph Meola, SBLI USA's Senior Vice President and Chief Actuary. My opinions depend on the substantial accuracy of this information.

**Process**

In all cases, I and other Milliman staff acting under my direction either derived the results on which my opinions rest or reviewed derivations carried out by SBLI USA employees.

**Opinion**

In my opinion, the allocation in the form solely of a fixed amount of consideration to each Eligible Policyholder is reasonable, and the resulting allocation of consideration is fair and equitable to the Eligible Policyholders.

**Discussion**

Article 7.2 of the Plan provides that each Eligible Policyholder shall be allocated a portion of the Policyholder Consideration, in the form of cash, in an amount equal to the amount of the Policyholder Consideration divided by the total number of Eligible Policyholders. This fixed amount will account for 100% of the Policyholder Consideration, without any variable component being used to allocate consideration.

In considering whether the proposed method of allocation is fair and equitable, I have reviewed:

- I. The history of SBLI USA;
- II. New York State laws pertaining to the allocation of the consideration to be given to policyholders in a demutualization; and
- III. the Actuarial Standard of Practice applicable to the allocation of Policyholder Consideration.

## **I. History of SBLI USA**

SBLI USA is a mutual life insurance company organized under the laws of the State of New York and is the successor-in-interest to the former Savings Bank Life Insurance system (“SBLI”). It is the insurer with respect to all SBLI coverage previously issued by any New York savings bank that issued SBLI policies.

Following the enactment of enabling legislation, the Savings Bank Life Insurance Fund and the 16 separate life insurance departments of the banks, together known as the SBLI system, received the approval of the New York State Banking and Insurance Departments in 1999, to form a single mutual life insurance company as of January 1, 2000, SBLI Mutual Life Insurance Company of New York, Inc. (effective April 12, 2000, the name was changed to SBLI USA Mutual Life Insurance Company, Inc.). SBLI USA is the successor-in-interest to the former SBLI system.

Prior to the formation of SBLI USA, each of the separate Insurance Departments had its own experience, but the records of the historical financial experience of the various classes were not maintained subsequent to the formation of the mutual company. Such historical experience records would be needed to determine what contribution to historical surplus was made by the various classes (“actuarial contribution”).

## **II. New York State Laws Pertaining to the Allocation of the Consideration to be Given to Policyholders in a Demutualization**

SBLI USA is proposing to demutualize under §7312(d)(4) of the New York Insurance Laws. Paragraph (B) of this subsection requires that “the consideration to be given to the policyholders is allocated among the policyholders in a manner which is fair and equitable”. Consideration given to policyholders often includes both a fixed and a variable component. A fixed component of consideration is allocated based on each eligible policyholder, regardless of the number of policies or size of policies. A variable component of consideration may take into account the estimated proportionate contribution of each class of participating policies and contracts to the aggregate consideration being given to policyholders. §7312(d)(4) does not require that the consideration to be given to policyholders include both a fixed and a variable component. Therefore, the proposed method of using only a fixed component in the allocation of consideration is consistent with §7312(d)(4).

### **III. Actuarial Standard of Practice Applicable to the Allocation of Policyholder Consideration**

Actuarial Standard of Practice No. 37, *Allocation of Policyholder Consideration in Mutual Life Insurance Company Demutualizations*, adopted by the Actuarial Standards Board in June, 2000, updated for deviation language effective May 1, 2011 (“ASOP 37”), provides “...actuaries guidance in determining the allocation of policyholder consideration when a mutual life insurance company ...demutualizes, or in reviewing, advising on, or opining on the actuarial aspects of a proposed allocation...”

- a) Section 3.2 of ASOP 37 states that “The share of fixed and variable components of consideration that any one policyholder receives should reflect both equity and practicality...Practicality requires that the proposed allocation take into account both administrative feasibility and imperfections in the available data.” Section 3.2.3 of ASOP 37 states that “The variable component of consideration should be allocated on the basis of actuarial contribution. For this purpose, actuarial contributions may be calculated on an individual policy basis or for classes of similar eligible policies.”

I believe that it is impractical for SBLI USA to calculate actuarial contributions on an individual policy basis or for classes of similar eligible policies for the reasons described below:

- Records of the historical experience of the various classes of policies prior to the mutualization of SBLI USA in 2000 no longer exist. The absence of such records would make it especially difficult and administratively not feasible to determine actuarial contributions for the period prior to mutualization.
  - The aggregate size of the consideration to be distributed to Eligible Policyholders is small relative to the number of Eligible Policyholders.
  - The cost of equitably determining the actuarial contribution including costs associated with gathering all the data and addressing any post-mutualization data insufficiencies, relative to the amount to be distributed, is substantial.
- b) Section 3.2.2 of ASOP 37 states that when considering the amount allocated as the fixed component and the amount allocated as the variable component, “The actuary may also consider the percentages of total consideration that were distributed as fixed consideration and the specific dollar values of fixed consideration allocated to each policy or policyholder in prior demutualizations.”

I have considered the percentages of total consideration that were distributed as fixed consideration and the specific dollar values of fixed consideration allocated to each policy or policyholder in prior demutualizations. The fixed components of prior demutualizations have ranged from \$27 to over \$1,000. It is not uncommon to have fixed components in the

range of \$100 to \$300. SBLI USA estimates that each Eligible Policyholder will be entitled to receive approximately \$190 if 100% of the Policyholder Consideration is allocated as a fixed component.

In forming my opinion, I have considered two recent precedents, the two most recent life insurance company demutualizations in the United States. In the demutualization of Security Benefit Life in 2010, the fixed component allocated to policyholders was 100% of the consideration, without any variable component of consideration. The total amount of the consideration was small relative to the number of policyholders. In the demutualization plan of Shenandoah Life in 2012, the consideration to be paid to policyholders was determined by a formula based on the profitability of the company for a period of time after demutualization. If the application of the formula produced an amount to be distributed to policyholders, it was to be distributed in the form of a fixed only component, without any variable component. In fact, no consideration was paid. Each of these companies, like SBLI USA, had suffered recent significant capital losses and was no longer writing new participating business. In both situations, the total amount of consideration was small relative to the number of policyholders, similar to the situation of SBLI USA.

Sincerely,



Marc Slutzky  
Consulting Actuary

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