

In the Matter of the Plan of Reorganization of
SBLI USA MUTUAL LIFE INSURANCE
COMPANY, INC.

and Proposed Acquisition of Control of
SBLI USA MUTUAL LIFE INSURANCE
COMPANY, INC. BY PROSPERITY LIFE
INSURANCE GROUP, LLC

Written Statement of Ronald Fry

Dated: August 21, 2014

WRITTEN STATEMENT OF RONALD FRY

My name is Ronald Fry. I am a Senior Vice President and Partner at Sherman & Company LLC (“Sherman & Company”). I joined Sherman & Company in 2010, and have spent the last fifteen years evaluating and financing insurance companies in a variety of assignments of increasing responsibility with Sherman & Company and previously with Wells Fargo Advisors and its predecessors Wachovia Securities and First Union Securities. I have worked with a variety of large and middle market life insurance companies on demutualizations, reorganizations, and mergers and acquisitions. I hold a degree in business administration from Belmont Abbey College, and a master’s degree in business administration from Wake Forest University’s Babcock Graduate School of Management, as well as the Series 79 investment banking representative qualification from the Financial Industry Regulatory Authority.

Sherman & Company was engaged by the Board of Directors of SBLI USA Mutual Life Insurance Company, Inc. (“SBLI USA” or the “Company”) to render a fairness opinion (the “Fairness Opinion”) in connection with SBLI USA’s plan of reorganization (the “Plan”) involving its demutualization and acquisition by Prosperity Life Insurance Group, LLC (“Prosperity”). Sherman & Company 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. As a firm, we have provided fairness opinions to companies and to state regulators. Our senior bankers have an average of more than 15 years of insurance industry expertise each, and have extensive understanding of the life insurance industry, having provided advisory services including fairness opinions relating to life insurance mergers and acquisitions as well as restructurings and demutualizations. Sherman & Company is a registered broker dealer and member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

I am submitting this written statement in support of SBLI USA’s request that the Superintendent of the Department of Financial Services of the State of New York (the “Superintendent”) approve the Plan.

Sherman & Company's goal was to assist SBLI USA's Board of Directors in making a determination of whether the terms of the Plan were fair to the policyholders of the Company by providing a Fairness Opinion from an independent investment banking firm experienced in advising the insurance industry. Sherman & Company was engaged to perform a variety of analyses to determine if the Plan was reasonable and fair to policyholders from a financial perspective, both in the short-term as well as the long-term, within a range of fairness as determined by our analyses, and not to determine whether the Plan represents the optimal or best possible outcome.

Sherman & Company delivered its Fairness Opinion to the Board of Directors of SBLI USA on November 22, 2013 in connection with the Board's approval of the Amended and Restated Merger Agreement, dated November 27, 2013, among SBLI USA, Prosperity, and subsidiaries owned by each of them (the "Merger Agreement"). The Fairness Opinion and our underlying analyses were based on material and market information that was current at the time we prepared our report. That information, including the financial terms and consideration amounts to be paid to policyholders under the Plan, has not changed since the Fairness Opinion was issued.

Our Fairness Opinion is subject to the various statements of limiting factors identified therein. I would like to emphasize that the work we performed was done in our capacity as an independent financial advisor. We are not actuaries, accountants, or tax advisors and have relied on the Company and its third party advisors for such analysis. As to our independence, the Fairness Opinion contains statements demonstrating our independence from any party in this transaction, in that our fees were earned when our Fairness Opinion was delivered and were not tied to the outcome of the Plan and acquisition.

In order to develop our Fairness Opinion, we reviewed a wide range of diligence materials (key among which are noted in the Fairness Opinion) that centered on various financial reports of the Company and certain agreements between SBLI USA and Prosperity.

Sherman & Company performed various generally accepted and proven valuation techniques, including the following:

- Comparable Publicly Traded Companies Analysis
- Takeover Premium Analysis, to supplement the Comparable Publicly Traded Companies Analysis
- Precedent Transactions Analysis
- Discounted Cash Flow Analysis of the company at the time of the transaction on a stand-alone basis
- Embedded Value Analysis

In addition, we performed other analyses and review as we deemed appropriate, including:

- Analysis of the life insurance peer universe, and transaction trends in the life & health insurance space
- Historical versus proposed dividend scales
- Review of the closed block information

- Review of the market canvass performed to find a partner for SBLI USA
- Divisible surplus analysis

To determine the fairness of the Plan under consideration by the Board of Directors of SBLI USA, we compared our findings from the analysis described above to the cash consideration to be received by the policyholders as described in the Plan. Our goal in developing the Fairness Opinion was to compare the consideration to be received by policyholders to that range of value which we calculated SBLI USA to be worth as of the date of our analysis. The policyholder consideration was deemed to have fallen within the range of fairness that we developed.

As we described in the Fairness Opinion, we were tasked to determine if the transaction, from a financial standpoint, including the consideration paid to policyholders and other financial terms, is fair to the policyholders. In our analysis, we determine a range of fairness based on the analyses described previously, and as long as the financial terms of the transaction fall within that range of fairness we consider the transaction fair and representative of what could be reasonably found in the market.

Each individual analysis provides a range of valuation, using a set of assumptions. When conducting our Comparable Publicly Traded Companies Analysis, supplemented by our Takeover Premium Analysis, we estimated what the theoretical market value of SBLI USA would be if it were a public company, based on the actual metrics of the public companies that are most similar to SBLI USA, defined by our selection criteria, and purchased by a third party. While we chose the companies most similar to SBLI USA for our analysis, we noted that no company is identical to SBLI USA. For example, SBLI USA had been downgraded by ratings agencies, had seen its surplus position decline and had stopped selling new policies prior to the opinion date, all of which may be expected to separate its estimated market value from the theoretical one calculated by using a median of other life insurance companies. There are only so many data points in the small company life insurance space, so we accept that there will be outliers in the analysis, trusting medians and averages of group metrics to give us a more accurate picture.

Similarly in the Precedent Transactions Analysis, we determined an indicative valuation involving target companies as comparable to SBLI USA, but no one company in the recent transactions universe was identical to SBLI USA. The financial situation of the target greatly influences the transaction price, and we used a median and range to derive our comparative metrics. We do not ascribe more weight to any single analysis, and all are determined independently.

Once we complete all of the separate analyses, we then take the ranges and medians of each individual analysis and compare the actual consideration to be received by the policyholders of SBLI USA. We note the consideration amount of \$36.0 million fell in the high/low ranges of all the analyses. We then determine a range of medians using the four median implied valuations from our work, which were \$44.3 million from Publicly Traded Company Comparable Analysis, \$73.0 million from Precedent Transaction Analysis, \$30.6 million from the Discounted Cash Flow Analysis, and \$38.8 million for the embedded value analysis, giving us a range of \$30.6 million to \$73.0 million for our medians. The policyholder consideration was bounded by that range. If the consideration would have been significantly less

than the range of medians, or had it not been bounded by the high/low analysis, we would have deemed it unlikely to represent a transaction that could be reasonably achieved in the market and therefore unfair to policyholders.

In addition, we compared divisible surplus paid to policyholders to that paid in similar recent deals. In our work, we calculated a theoretical valuation using SBLI USA's metrics and making the assumption that SBLI USA is publicly traded and sells, or is sold as a public or private stock company, where all of the proceeds from the theoretical sale are available to owners. The sale proceeds of stock companies differ from the situation where a mutual company is involved. Mutual policyholders have membership rights, but unlike shareholders of public companies, they cannot sell their interests when they choose. To compare the amount paid to policyholders we supplement our market-based and model-based analyses by comparing the \$36 million of consideration received by policyholders of SBLI USA, which equates to roughly 44% statutory capital and surplus in the prior period before deal announcement, versus other recent demutualizations where the policyholders received much less as a percentage of statutory surplus at announcement of their respective transactions. The SBLI USA policyholders compared favorably in this analysis among recent life demutualizations.

We also analyzed the transaction process to ensure we believed the offer was representative of the current market. In order to do this, we ensured that an appropriate market canvass had been performed by SBLI USA, and even though over forty companies were approached in four separate initiatives to find a partner for the Company, with some companies approached multiple times, there was no superior offer presented. Also, once the transaction was announced initially to the public, no other bidder came forward, indicating that the transaction is representative of the best offer which could reasonably be found in the market.

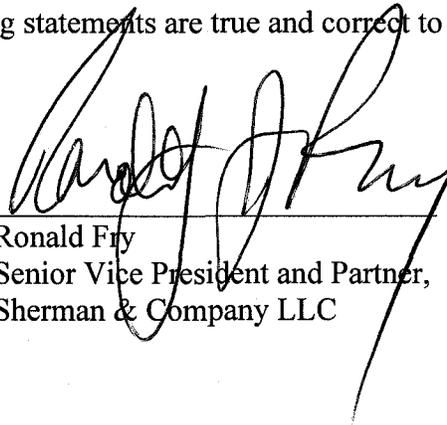
Finally, we reviewed the closed block information available and compared the proposed and current dividend scales. The purpose of these reviews was to ensure that we found no terms of the transaction that we thought would disadvantage the policyholders or that would influence our opinion of fairness, from a financial standpoint. We found no evidence that the policyholders were not receiving a deal representative of what could be reasonably expected in the current market, and further found nothing that would lead us to believe the policyholders were being disadvantaged by the terms compared to similar deals.

We also compared the position of the policyholders of SBLI USA, which was an organization that was no longer selling new products, had seen downgrades to ratings and volatility in operations, and was in what amounted to a run-off situation, to the proposed sponsored demutualization that would result in the Company becoming part of a larger, well-capitalized entity that could restart sales and generate new cash flow streams. We then analyzed the transaction in reference to our knowledge of the life insurance industry, to determine what factors influencing our opinion were shaped by market conditions and which were specific to the company or the transaction. We noted nothing in our review that pointed to any unfairness to the policyholders.

The results of our findings indicated that, as of November 22, 2013, and based upon and subject to assumptions made, matters considered, qualifications and limitations set forth in our Fairness Opinion, that the consideration to be received by SBLI USA 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. We expressed that opinion to the Board of Directors of SBLI USA in our Fairness Opinion, and delivered that opinion to the Board of Directors of SBLI USA on November 22, 2013. A copy of the Fairness Opinion has been filed with the Superintendent as part of the record of this proceeding. Thank you for the opportunity to submit this written statement in support of the Plan.

I, Ronald Fry, affirm that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Ronald Fry", is written over a horizontal line. The signature is stylized and cursive.

Ronald Fry
Senior Vice President and Partner,
Sherman & Company LLC