STATE OF WISCONSIN CIRCUIT COURT DANE COUNTY

In the Matter of the Rehabilitation of:

Segregated Account of Ambac Assurance Corporation

Case No. 10 CV 1576

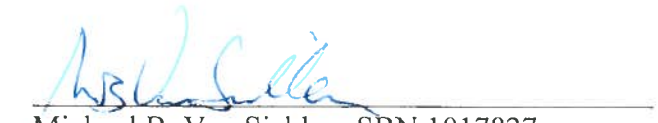
SUPPLEMENT TO REHABILITATOR'S PENDING APRIL 21, 2014 MOTION TO AMEND THE PLAN OF REHABILITATION

The Rehabilitator is filing and serving this submission to supplement his pending April 21, 2014 Motion to Amend the Plan of Rehabilitation Confirmed January 24, 2011 (the "Motion to Amend") which is set for hearing before the Rehabilitation Court commencing June 11, 2014 at 9:00 a.m. before the Honorable William D. Johnston at the Lafayette County Courthouse, 626 Main Street, Darlington, Wisconsin.

Since filing his Motion to Amend, the Rehabilitator has determined that, in order to most accurately reflect his intent and to most efficiently implement the Plan Amendments, it is necessary to make certain corrections to his proposed Plan Amendments along with the Payment Guidelines attached to the motion and certain exhibits. The Rehabilitator's Motion to Amend and attachments are hereby corrected as reflected on the attached.

Dated this 20th day of May, 2014.

FOLEY & LARDNER LLP

By: 

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CORRECTIONS TO THE REHABILITATOR'S MOTION TO AMEND

The Rehabilitator hereby supplements his April 21, 2014 Motion to Amend by making the following corrections to the wording of the provisions in the proposed Plan Amendments, Payment Guidelines and certain related documents as set forth below.[1] The reasons for each change are described below.

CORRECTIONS TO AMENDMENTS

Sections

1.017 Accretion Rate. In respect of any Deferred Amount or Junior Deferred Amount, a rate compounded monthly (using 30/360 day count convention) to produce an effective annual rate of 5.1%, except that in Undercollateralized transactions, the portion of any Deferred Loss Amount attributable to the unpaid principal loss or balance of an Insured Obligation shall accrete at an effective annual rate, as determined by the Rehabilitator on a periodic basis, equal to the greater of (i) the monthly Accretion Rate, as calculated above, less the applicable ~~Adjusted~~ Bond Interest Rate (as adjusted from time to time), and (ii) zero.

Reason for Change: The method of calculating accretion is being clarified, and because the definition of "Adjusted Bond Rate" is being deleted (for the reasons set forth below), the term "Bond Interest Rate" is being substituted.

~~**1.035 Adjusted Bond Rate.** In respect of any Insured Obligation subject to Undercollateralization, on any Bond Distribution Date on which Accretion Amounts are to be calculated, a rate equal to (A) the product of (i) the Bond Interest Rate, and (ii) the aggregate Undercollateralization in respect of such Insured Obligation under the Undercollateralized transaction, *divided by* (B) the portion of the Deferred Loss Amount attributable to the unpaid principal loss or balance of such Insured Obligation.~~

Reason for Change: This definition is being deleted. It was originally included to adjust the Bond Interest Rate credit deducted from the Accretion Rate to reflect the difference between the interest payable to bondholders on the Deferred Loss Amount and the amount of Undercollateralization. After further review, the Rehabilitator has determined that it would be impractical to implement the formula contained in the definition of "Adjusted Bond Rate." The definition of "Accretion Rate" is being changed accordingly (see above). The Rehabilitator believes that in every expected instance, this change will favor the bondholders.

1.057 Bond Interest Rate. In respect of any Insured Obligation subject to Undercollateralization, on any Bond Distribution Date on which Accretion Amounts are to be

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[1] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Payment Guidelines.

These wording corrections will be reflected in a new redline comparison of the Plan, as amended, to the confirmed Plan of Rehabilitation, which is being filed together with this Supplement. That new redline is also being posted with this Supplement on the court-approved website, www.ambacpolicyholders.com.

calculated, the applicable annualized interest rate that a Holder would be entitled to receive on such Bond Distribution Date for the relevant Insured Obligations in accordance with, and subject to, the terms and conditions of the relevant ~~Policy~~ Transaction Documents relating to such Insured Obligations.

Reason for Change: This change is being made to clarify the intent.

2.05 Surplus Notes and Junior Surplus Notes. On or about the Deferred Payment Date when any Deferred Payment or Junior Deferred Payment is made, the Segregated Account shall pay the holder of each outstanding Surplus Note or Junior Surplus Note, as applicable, an amount equal to the product of (i) the Deferred Payment Percentage or Junior Deferred Payment Percentage applicable to such Deferred Payment or Junior Deferred Payment and (ii) the sum of the principal and ~~due~~ accrued but unpaid interest outstanding, as of the immediately preceding Reconciliation Date, under each such Surplus Note or Junior Surplus Note. Any such payment shall be applied in accordance with the terms of the Surplus Notes and any applicable fiscal agency agreement, and shall be deemed approved by OCI in accordance with Wis. Stat. § 611.33(2)(d).

Reason for Change: This change is being made to clarify the intent.

CORRECTIONS TO PAYMENT GUIDELINES

Sections

2.8 Surplus Note Payments. On or about the Deferred Payment Date when any Deferred Payment is made, the Segregated Account shall pay the holder of each outstanding Surplus Note an amount equal to the product of (i) the Deferred Payment Percentage applicable to such Deferred Payment and (ii) the sum of the principal and ~~due~~ accrued but unpaid interest outstanding, as of the immediately preceding Reconciliation Date, under each such Surplus Note. Any such payment shall be applied in accordance with the terms of the Surplus Notes and any applicable fiscal agency agreement, and shall be deemed approved by OCI in accordance with Wis. Stat. § 611.33(2)(d).

Reason for Change: This change is being made to clarify the intent.

Exhibit A – Definitions

"Accretion Rate" means, in respect of any Deferred Amount or Junior Deferred Amount, a rate compounded monthly (using 30/360 day count convention) to produce an effective annual rate of 5.1%, except that in Undercollateralized transactions, the portion of any Deferred Loss Amount attributable to the unpaid principal loss or balance of an Insured Obligation shall accrete at an effective annual rate, as determined by the Rehabilitator on a periodic basis, equal to the greater of (i) the monthly Accretion Rate, as calculated above, less the applicable ~~Adjusted~~ Bond Interest Rate (as adjusted from time to time), and (ii) zero.

Reason for Change: The method of calculating accretion is being clarified, and because the definition of "Adjusted Bond Rate" is being deleted (for the reasons set forth below), the term "Bond Interest Rate" is being substituted.

~~**"Adjusted Bond Rate"** means, in respect of any Insured Obligation subject to Undercollateralization, on any Bond Distribution Date on which Accretion Amounts are to be calculated, a rate equal to the product of (i) the Bond Interest Rate, and (ii) the aggregate Undercollateralization in respect of such Insured Obligation under the Undercollateralized transaction, *divided by* the portion of the Deferred Loss Amount attributable to the unpaid principal loss or balance of such Insured Obligation.~~

Reason for Change: This definition is being deleted. It was originally included to adjust the Bond Interest Rate credit deducted from the Accretion Rate to reflect the difference between the interest payable to bondholders on the Deferred Loss Amount and the amount of Undercollateralization. After further review, the Rehabilitator has determined that it would be impractical to implement the formula contained in the definition of "Adjusted Bond Rate." The definition of "Accretion Rate" is being changed accordingly (see above). The Rehabilitator believes that in every expected instance, this change will favor the bondholders.

"Bond Interest Rate" means, in respect of any Insured Obligation subject to Undercollateralization, on any Bond Distribution Date on which Accretion Amounts are to be calculated, the applicable annualized interest rate that a Holder would be entitled to receive on such Bond Distribution Date for the relevant Insured Obligation in accordance with, and subject to, the terms and conditions of the relevant ~~Policy~~ Transaction Documents relating to such Insured Obligations.

Reason for Change: This change is being made to clarify the intent.

TAB ONE

STATE OF WISCONSIN CIRCUIT COURT DANE COUNTY

In the Matter of the Rehabilitation of:

Segregated Account of Ambac Assurance Corporation

Case No. 10 CV 1576

PLAN OF REHABILITATION, AS AMENDED

The Commissioner of Insurance of the State of Wisconsin, as the Court-Appointed Rehabilitator of the Segregated Account of Ambac Assurance Corporation

~~November 29, 2010~~
June 12, 2014

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~~Exhibit A Form of Fiscal Agency Agreement~~
Exhibit ~~B Form of Surplus Note~~1 Payment Guidelines

Exhibit ~~C Proof of Policy Claim Form~~
~~Exhibit D Form of Junior Surplus Note~~2 LVM Payment Guidelines

The Commissioner of Insurance of the State of Wisconsin, as the court-appointed Rehabilitator in this case, proposes the following Plan of Rehabilitation, as amended, for the Segregated Account of Ambac Assurance Corporation pursuant to Wis. Stat. § 645.33(5).

INTRODUCTION TO PLAN

This Plan provides for the rehabilitation of the Segregated Account, including the orderly run-off and/or settlement of the liabilities allocated to the Segregated Account~~, as further described in the Disclosure Statement accompanying this Plan. This~~. Except as set forth herein, this Plan pertains solely to the Segregated Account, which acts through the Rehabilitator and the Management Services Provider. Pursuant to Wis. Stat. § 611.24(3)(e), the Segregated Account is deemed to be a separate insurer for purposes of the rehabilitation. Except as may be specifically stated herein, in the ~~Disclosure Statement~~Payment Guidelines, or in the Segregated Account Operational Documents, this Plan does not pertain to the assets or liabilities in the General Account.

ARTICLE 1
DEFINITIONS

The following terms used in this Plan shall have the meanings specified below, and such meanings shall be equally applicable to both the singular and plural forms of such terms, unless the context otherwise requires. Any term used in this Plan, whether or not capitalized, that is not defined in this Plan, but that is defined in the ~~Disclosure Statement~~Act or the ~~Act~~Payment Guidelines shall have the meaning set forth in the ~~Disclosure Statement~~Act or the ~~Act~~Payment Guidelines.

1.01 AAC. Ambac Assurance Corporation.

1.015 Accretion Amounts. In respect of any Insured Obligation or any Permitted General Claim which has a related Deferred Amount or Junior Deferred Amount outstanding, on any Bond Distribution Date on which such Deferred Amount or Junior Deferred Amount is to be calculated, accretion on such outstanding Deferred Amount or Junior Deferred Amount at the Accretion Rate from the immediately preceding Bond Distribution Date to the calculation date.

1.017 Accretion Rate. In respect of any Deferred Amount or Junior Deferred Amount, a rate compounded monthly (using 30/360 day count convention) to produce an effective annual rate of 5.1%, except that in Undercollateralized transactions, the portion of any Deferred Loss Amount attributable to the unpaid principal loss or balance of an Insured Obligation shall accrete at an effective annual rate, as determined by the Rehabilitator on a periodic basis, equal to the greater of (i) the monthly Accretion Rate, as calculated above, less the applicable Bond Interest Rate (as adjusted from time to time), and (ii) zero.

1.02 ACP. Ambac Credit Products, LLC.

1.03 Act. The Wisconsin Insurers Rehabilitation and Liquidation Act, Wis. Stat. § 645.01 *et. seq.*

1.04 Administrative Claims. Claims for fees, costs and expenses of the administration of the Segregated Account incurred after the Petition Date, including, but not limited to, fees, costs and expenses associated with (i) management services, including all fees and payments pursuant to the Management Services Agreement, (ii) financial advisor, consulting and legal services, including services for OCI and the Rehabilitator, (iii) indemnification under commercially reasonable indemnification agreements of the Segregated Account (as determined by the Rehabilitator in his sole and absolute discretion) with providers of financial, banking, trustee, consulting, legal or other services, (iv) the costs and expenses of preserving or recovering

property, or enforcing rights and remedies, in respect of Policies and other liabilities allocated to the Segregated Account (as determined by the Rehabilitator in his sole and absolute discretion), (v) any other fees, costs or expenses that are expressly approved by the Rehabilitator or the Special Deputy Commissioner, and (vi) any other indebtedness or obligations of the Segregated Account entitled to such priority in a liquidation proceeding under Wis. Stat. § 645.68(1).

1.05 Alternative Resolution. The process defined in Section 3.06 pursuant to which the Rehabilitator may negotiate a resolution of certain Claims.

1.053 Amendments. The amendments to the Plan dated June 12, 2014, which become effective on the Effective Date.

1.055 Beneficial Holder. In respect of any Insured Obligation, the beneficial holder(s) of such Insured Obligation insured by a Policy.

1.057 Bond Interest Rate. In respect of any Insured Obligation subject to Undercollateralization, on any Bond Distribution Date on which Accretion Amounts are to be calculated, the applicable annualized interest rate that a Holder would be entitled to receive on such Bond Distribution Date for the relevant Insured Obligations in accordance with, and subject to, the terms and conditions of the relevant Transaction Documents relating to such Insured Obligations.

1.06 Business Day. A day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York are authorized or required by law to close.

1.07 Cash. Legal tender of the United States of America payable in immediately available funds, such as a wire transfer, bank or cashier's check, or its equivalent in foreign currency for any transactions denominated in such foreign currency.

1.08 ~~**Cash Percentage.**~~**[DELETED]** ~~The percentage of the amount of a Permitted Policy Claim to be satisfied through the payment of Cash, which percentage shall be 25% on the Effective Date, and may be adjusted from time to time thereafter pursuant to Section 7.02 of this Plan.~~

1.09 **Claim.** Any right to payment from the Segregated Account, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, equitable, legal, secured, or unsecured, and regardless of when such right arises.

1.10 **Commissioner.** The Commissioner of Insurance of the State of Wisconsin.

1.11 ~~**Confirmation Date.**~~**[DELETED]** ~~The date on which the Confirmation Order is entered on the docket of the Court.~~

1.12 ~~**Confirmation Hearing Date.**~~**[DELETED]** ~~The date or dates of the hearing on confirmation of this Plan.~~

1.13 ~~**Confirmation Order.**~~**Confirmation Order.** ~~The order of the Court confirming this Plan under Wis. Stat. § 645.33(5).~~The Decision and Final Order Confirming the Rehabilitator's Plan of Rehabilitation, with Findings of Fact and Conclusions of Law, entered by the Court on January 24, 2011.

1.14 **Cooperation Agreement.** The Cooperation Agreement, by and between the Segregated Account ~~and AAC~~, the Rehabilitator, AAC and Ambac Financial Group, Inc., effective March 24, ~~2010.~~2010, as amended, supplemented or modified from time to time.

1.15 **Court.** The Circuit Court for Dane County, State of Wisconsin.

1.153 CUSIP. In respect of any security, the security as identified by the number allocated to such security pursuant to the Committee on Uniform Securities Identification Procedures.

1.155 Deferred Amount. With respect to each Insured Obligation (identified by its CUSIP, if any), in respect of which a Policy Claim has been Permitted and an Interim Payment made, the amount established by the Segregated Account as a Deferred Amount pursuant to the procedure set forth in the Payment Guidelines. For each Insured Obligation (identified by its CUSIP, if any) in respect of which a Policy Claim has been deemed Permitted and an Interim Payment deemed made prior to the Effective Date in accordance with the Interim Cash Payment Rules and the Payment Guidelines, the amount determined to be the Deferred Amount in accordance with the Payment Guidelines. The Deferred Amount for any such Insured Obligation shall be equal to the sum of the Deferred Loss Amount and its Accretion Amounts.

1.156 Deferred Loss Amount. With respect to each Insured Obligation in respect of which a Policy Claim has been Permitted and an Interim Payment made or deemed to be made, the Deferred Amount excluding the aggregate of all Accretion Amounts relating to such Insured Obligation.

1.157 Deferred Payment. "Deferred Payment" shall have the meaning given to such term in the Payment Guidelines.

1.16 Determination Date. The fifteenth (15th) day of each month (or, if any such day is not a Business Day, the immediately following Business Day), subject to change in the sole and absolute discretion of the Rehabilitator.

1.17 Disallowed Claim. A Claim that has been determined by the Rehabilitator or the Management Services Provider to constitute a Duplicate Claim or a Late Claim, or that the

Rehabilitator or the Management Services Provider has otherwise determined should not be ~~allowed~~Permitted, in each case in accordance with the provisions of ~~Section 4.06 of this Plan~~the Payment Guidelines.

1.18 Disclosure Statement. The Disclosure Statement ~~of the Segregated Account~~Accompanying Plan of Rehabilitation filed with the Court on October 8, ~~2010 that relates to and accompanies this Plan~~2010, as amended, modified or supplemented from time to time.

1.19 Disputed Claim. A Claim as to which an Objection has been raised by the Rehabilitator or the Management Services Provider and which has not been released, satisfied, terminated, commuted or otherwise extinguished or become a Permitted Claim or a Disallowed Claim.

1.20 ~~Distributions.~~[DELETED] ~~The distributions to be made in accordance with this Plan on account of Permitted Claims, consisting of, as the case may be: (a) Cash, (b) Surplus Notes, (c) Junior Surplus Notes and (d) any other distributions to Holders of Permitted Claims under the terms and provisions of this Plan.~~

1.21 Duplicate Claim. Any Claim with respect to which the Rehabilitator or the Management Services Provider has determined, in the Rehabilitator's sole and absolute discretion, that (i) the payment obligation of the Segregated Account under the provisions of the underlying instrument or contract giving rise to such Claim or (ii) the underlying risk of loss insured pursuant to the provisions of the Policy or other ~~instrument(s) or contract(s)~~Transaction Documents giving rise to such Claim~~, has, in either case, been released, satisfied (whether by Distributions made by the Segregated Account on account of another Claim or otherwise), terminated, commuted or otherwise extinguished, or~~ is the subject of, or is, a Pending Claim, ~~a~~ Disputed Claim, ~~a~~ Late

Claim, ~~a~~ Disallowed Claim or a Permitted Claim~~ that has already been honored by the Segregated Account pursuant to the provisions hereof~~.

1.22 Effective Date. The day on which this Plan shall be effective, as ~~designated by the Rehabilitator, which shall be no later than thirty (30) days following the later of: (a) the first Business Day on which no stay of the Confirmation Order is in effect and (b) the first Business Day on which all conditions in Article 5 of this Plan have been satisfied or have been waived in accordance with~~determined, and announced by the Rehabilitator, in accordance with Article 5 of this Plan.

1.23 Exhibit. An exhibit annexed to this Plan.

1.24 Final Order. An order or judgment entered by the Court, which has not been reversed, vacated, or stayed, that may no longer be appealed from or otherwise reviewed or reconsidered, as a result of which such order or judgment shall have become final and non-appealable.

1.25 ~~Fiscal Agency Agreement.~~[DELETED]~~ The Fiscal Agency Agreement between the Segregated Account and the Fiscal Agent, which provides the mechanism for issuing the Surplus Notes under Section 4.04(d) of this Plan, the form of which is attached hereto as Exhibit A.~~

1.26 ~~Fiscal Agent.~~[DELETED]~~ The Bank of New York Mellon, as fiscal agent under the Fiscal Agency Agreement (or any successor thereto).~~

1.27 General Account. The general account of AAC.

1.28 General Claims. All Claims which are not Administrative Claims or Policy Claims, and are not otherwise entitled to priority under the Act or an order of the Court, including, but not limited to, ~~(i) any Claim submitted by One State Street, LLC or its successor or assignee arising from the disputed contingent liability of the Segregated Account, if any, under the~~

~~long-term lease with One State Street, LLC, effective January 1, 1992 and amended as of August 1, 1997, and (ii)~~ any Claim submitted under a reinsurance agreement allocated to the Segregated Account, as identified in Exhibit F to the Plan of Operation.

1.29 Holder. Any Person (other than a Beneficial Holder) holding (i) a Claim ~~against the Segregated Account~~, including, in the case of a Policy Claim, the named beneficiary of the related Policy, and including the trustee submitting claims in accordance with Section 1.2 of the LVM Payment Guidelines attached hereto as Exhibit 2, (ii) a Deferred Amount, or (iii) a Junior Deferred Amount.

1.30 Injunction. The Order for Temporary Injunctive Relief entered by the Court on March 24, ~~2010~~ 2010, made permanent by the Confirmation Order, and the related Order Granting Rehabilitator's Motion to Confirm and Declare the Scope of the Relief Issued Under this Court's Prior Order for Injunctive Relief, dated September 12, 2012.

~~**1.31**~~

1.301 Insured Obligation. In respect of any Policy Claim, an obligation guaranteed by the Segregated Account under or pursuant to the relevant Policy or Policies. A Policy may provide financial guaranty insurance in respect of more than one Insured Obligation, each Insured Obligation as identified by its CUSIP, if any.

1.302 Interim Cash Payment Rules. Together with any amendments or supplements thereto: (i) the Rules Governing the Submission, Processing and Partial Payment of Policy Claims of the Segregated Account of Ambac Assurance Corporation in Accordance with the June 4, 2012 Interim Cash Payment Order, filed with the Court and effective August 1, 2012; or, as the case may be, (ii) the Rules Governing the Submission, Processing and Partial Payment of Claims under Financial Guaranty Policy No. 17548BE by the Segregated Account of Ambac Assurance

Corporation in Accordance with the June 4, 2012 Interim Cash Payment Order, filed with the Court and effective October 10, 2012.

1.303 Interim Payment. With respect to each Policy Claim determined to be a Permitted Policy Claim after the Effective Date, the Payment of the amount equal to the then applicable Interim Payment Percentage of the Permitted Policy Claim Amount, made in accordance with the Payment Guidelines. With respect to each Policy Claim deemed Permitted prior to the Effective Date in accordance with the Interim Cash Payment Rules and Section 2.18 of the Payment Guidelines, the payment made to the Holder of such Permitted Policy Claim in accordance with the Interim Cash Payment Rules.

1.304 Interim Payment Percentage. The percentage of a Permitted Policy Claim Amount to be paid by an Interim Payment, as determined by the Rehabilitator in his sole and absolute discretion, which percentage is, for all Policies, 25% on the Effective Date and which may be increased from time to time by the Rehabilitator pursuant to the Payment Guidelines.

1.305 Junior Deferred Amount. With respect to each Permitted General Claim, the amount established as a Junior Deferred Amount by the Segregated Account pursuant to the procedure set forth in the Payment Guidelines.

1.31 Junior Surplus ~~Note.~~ ~~The 5.1% unsecured interest-bearing~~Notes. Any junior surplus notes ~~to be~~ issued by the Segregated Account ~~to the Holders of Permitted General Claims, substantially in the form attached hereto as Exhibit D.~~ .

1.315 Junior Deferred Payment. "Junior Deferred Payment" shall have the meaning given to such term in the Payment Guidelines.

~~**1.32**~~ **1.32 Late Claim.** ~~Other than in the case of excusable neglect (as determined by the Rehabilitator in his sole and absolute discretion), any Claim determined by the Rehabilitator~~Any

Claim determined, pursuant to the procedure set forth in the Payment Guidelines, to not have been submitted in compliance with the provisions of this Plan, the Interim Cash Payment Rules, or the Payment Guidelines within one hundred twenty (120) days of the ~~later of (i) the Effective Date and (ii)~~earliest date on which such Claim, if it had been submitted, would have satisfied all of the requirements to be considered a Permitted Claim; provided that the Rehabilitator may extend such one hundred twenty (120) day period in the case of excusable neglect (as determined by the Rehabilitator in his sole and absolute discretion), but in no event beyond one year from the earliest date on which such Claim, if it had been submitted, would have satisfied all of the requirements to be considered a Permitted Claim.

1.33 Lien. A charge against or interest in property to secure payment of a debt or performance of an obligation.

1.335 LVM Payment Guidelines. The LVM Payment Guidelines for Plan of Rehabilitation, as amended and attached as Exhibit 2, which replace and supersede the Rules Governing the Submission, Processing and Partial Payment of Claims Under Financial Guaranty Policy No. 17548BE by the Segregated Account of Ambac Assurance Corporation in Accordance with June 4, 2012 Interim Cash Payment Order, dated as of October 10, 2012.

1.34 Management Services Agreement. The Management Services Agreement between the Segregated Account and AAC, as Management Services Provider, effective March 24, ~~2010.~~2010, as amended, modified or supplemented from time to time.

1.35 Management Services Provider. AAC or any successor Management Services Provider under the Management Services Agreement.

1.36 ~~**No-action Letter Request.**~~**[DELETED]**~~ The letter submitted on behalf of the Segregated Account to the Division of Corporation Finance of the SEC requesting that the~~

~~Division of Corporation Finance confirm via letter that no enforcement action will be recommended to the SEC relative to the issuance of the Surplus Notes in accordance with Section 4.04(d) of this Plan in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Section 3(a)(10) of the Securities Act.~~

1.37 ~~**No-action Letter.**~~**[DELETED]**~~Letter(s) received by or on behalf of the Segregated Account from the Division of Corporation Finance of the SEC confirming that no enforcement action will be recommended to the SEC relative to the issuance of the Surplus Notes in accordance with Section 4.04(d) of this Plan.~~

1.38 Objection. Any dispute or objection with respect to a Claim, as contemplated by ~~Section 4.06 of this Plan~~the Payment Guidelines.

1.39 OCI. The Office of the Commissioner of Insurance of the State of Wisconsin.

1.393 Paying Agent. Any paying agent retained by the Segregated Account on or after the Effective Date, in the sole and absolute discretion of the Rehabilitator, pursuant to Section 3.07 of this Plan for the purpose of making any Deferred Payments in accordance with the Payment Guidelines.

1.395 Payment. A payment made by or on behalf of the Segregated Account, in Cash, in accordance with this Plan and the Payment Guidelines, an order of the Court, or pursuant to the direction of the Special Deputy Commissioner, on account of Permitted Claims, including, but not limited to, Interim Payments, Supplemental Payments, Deferred Payments, Junior Deferred Payments, Special Policy Payments and/or payments made (as applicable) in conjunction with an Alternative Resolution. The establishment of Deferred Amounts and Junior Deferred Amounts shall not constitute Payments under this Plan.

1.40 Payment Date. The date during each month on which ~~Permitted~~ Policy Claims Permitted by the Rehabilitator on the immediately preceding Determination Date shall be paid in accordance with Article 4 of this Plan and the Payment Guidelines. The Payment Date shall be the twentieth (20th) day of each such month (or, if any such day is not a Business Day, the immediately following Business Day), subject to change in the sole and absolute discretion of the Rehabilitator.

1.405 Payment Guidelines. The Payment guidelines attached to this Plan as Exhibit 1, or the LVM Payment Guidelines attached as Exhibit 2, as applicable.

1.41 Pending / Pending Claim. A Claim ~~submitted by a Holder~~(i) submitted in accordance with all of the requirements of this Plan and the Payment Guidelines, including without limitation, in the case of a Policy Claim, Sections 1.2, 1.3 and 1.4 of the Payment Guidelines; (ii) which is under evaluation by the Rehabilitator or the Management Services Provider~~,~~; and (iii) which is not, or has not become, a Permitted Claim, a Disputed Claim, a Late Claim, a Duplicate Claim or a Disallowed Claim.

1.42 Permitted / Permitted Claim. A Claim (other than a Late Claim, a Disputed Claim, a Pending Claim, a Duplicate Claim or a Disallowed Claim) submitted ~~by a Holder~~ in compliance with the provisions ~~hereof~~of this Plan and the Payment Guidelines, and determined by the Rehabilitator or the Management Services Provider to be a matured, non-contingent due and payable obligation according to the provisions of the applicable Policy and/or any other underlying instrument(s) or contract(s) giving rise to or governing such Claim. Permitted Claims shall not include any Claim in respect of (i) any interest on such Claim to the extent accruing or maturing on or after the Petition Date, (ii) punitive, consequential, special or exemplary damages, (iii) any fine, penalty, tax or forfeiture, including, but not limited to, default or penalty interest purported to be imposed on the Claim or on the related ~~insured obligation~~Insured Obligation, if any, that would ~~be~~

~~in violation of~~violate the Injunction, or (iv) in the sole and absolute discretion of the Rehabilitator, that portion of any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the Holder or any Beneficial Holder, including without limitation, any cash deposits, reserves or other defeasance or reinsurance instruments made available to such Holder or Beneficial Holder. In addition, a Permitted Claim shall not include any Claim ~~the Holder of which~~ in respect of ~~such Claim~~which the Holder, or any party to the transaction relating ~~to such Claim~~thereto, is in violation of this Plan ~~or~~, the Injunction, the Payment Guidelines, or any other order of the Court relating to the Segregated Account.

1.43 Person. An individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, an estate, a trust, an unincorporated organization, a government or any political subdivision thereof, or any other entity.

1.44 Petition Date. March 24, 2010, the date on which OCI commenced the Proceeding.

1.45 Plan. This Plan of Rehabilitation for the Segregated Account and all supplements and Exhibits hereto, as has been amended by the Amendments, and as the same may be further amended or modified as set forth herein and in accordance with the Act.

1.46 ~~**Plan Documents.**~~**[DELETED]** ~~The Fiscal Agency Agreement, Form of Surplus Note, Form of Junior Surplus Note and Proof of Policy Claim Form, as the same may be amended or modified as set forth herein and in accordance with the Act.~~

1.47 Plan of Operation. The Plan of Operation of the Segregated Account, as amended, modified and/or supplemented from time to time.

1.48 Policy. Any financial guaranty insurance policy, surety bond or other similar guarantee allocated to the Segregated Account pursuant to the Plan of Operation.

1.49 Policy Claim. A Claim under a Policy or Policies in respect of an Insured Obligation (as identified by CUSIP, if any).

1.50 Proceeding. The legal proceeding, currently styled as In the Matter of the Rehabilitation of: Segregated Account of Ambac Assurance Corporation, Case No. 10 CV 1576, pending in the Court.

1.51 Proof of Policy Claim Form. The ~~form~~forms attached ~~hereto as Exhibit C~~to the Payment Guidelines as Exhibits B to be used, as each is applicable, by the ~~Holder~~Holders of ~~a~~relevant Policy ~~Claim~~Claims to submit such Policy ~~Claim~~Claims to the Management Services Provider in accordance with ~~Section 4.04(a)~~the relevant Payment Guidelines, as such ~~form~~forms may be amended and/or supplemented from time to time in the sole and absolute discretion of the Rehabilitator.

1.52 Rehabilitation Order. The Order for Rehabilitation entered in the Proceeding on March 24, 2010.

1.53 Rehabilitator. The Commissioner, as the court-appointed rehabilitator of the Segregated Account.

1.54 Reinsurance Agreement. The Aggregate Excess of Loss Reinsurance Agreement between the Segregated Account and AAC, entered into as of ~~March 24, 2010.~~the Petition Date, as amended, modified or supplemented from time to time.

1.55 ~~SEC.~~[DELETED] ~~The Securities and Exchange Commission.~~

1.56 Secured Note. The Secured Note issued by AAC to the Segregated Account on ~~March 24, 2010.~~the Petition Date, as amended, modified or supplemented from time to time.

1.57 ~~Securities Act.~~[DELETED] ~~The Securities Act of 1933, as now in effect or hereafter amended.~~

1.58 Segregated Account. The Segregated Account of Ambac Assurance Corporation, established pursuant to the Plan of Operation in accordance with Wis. Stat. § 611.24(2).

1.59 Segregated Account Operational Documents. The documents and agreements pertaining to the establishment and operation of the Segregated Account, including, but not limited to, the Plan of Operation, the Secured Note, the Reinsurance Agreement, the Management Services Agreement and the Cooperation Agreement, each as amended, modified or supplemented from time to time.

1.60 Special Deputy Commissioner. The Special Deputy Commissioner of the Segregated Account appointed by the Rehabilitation Order.

1.61 Special Policy Payment. "Special Policy Payment" shall have the meaning given to such term in the Payment Guidelines.

1.62 Supplemental Payment. "Supplemental Payment" shall have the meaning given to such term in the Payment Guidelines.

1.61 1.621 Surplus Notes. The 5.1% unsecured interest-bearingAny surplus notes to be issued by the Segregated Account to the Holders of Permitted Policy Claims, substantially in the form attached hereto as Exhibit B. For the avoidance of doubt, Surplus Notes shall not include, other than the Junior Surplus Notes.

1.62 Surplus Note Percentage. The percentage of the amount of a Permitted Policy Claim satisfied through the issuance of a Surplus Note, which percentage shall be 75% on the Effective Date, and may be adjusted from time to time thereafter pursuant to Section 7.02 of this Plan

1.623 Transaction Documents. Any agreements relating to Policies, including any credit derivative transaction agreements (including credit default swaps), interest rate or currency

rate swap agreements, basis swap agreements, total return swap agreements, indentures, trust deeds, collateral management or administration agreements, credit or loan agreements, residential mortgage-backed security transaction documents, guarantee investment certificates, custodial account agreements, note purchase agreements, or other financing or transaction documents of any kind. Transaction Documents shall also include any contracts with ACP, Ambac Conduit Funding, LLC, Juneau Investments, LLC, or Aleutian Investments, LLC.

1.625 Trustee. A Holder acting in its capacity as trustee and/or agent on behalf of and for the benefit of Beneficial Holders.

1.627 Undercollateralization/Undercollateralized. With respect to any transaction, the amount by which the outstanding principal balance of all Insured Obligations relating to such transaction exceeds the outstanding principal balance of the collateral securing all such Insured Obligations.

1.63 Website. The website established by the Rehabilitator for policyholders at www.ambacpolicyholders.com, which makes available for viewing and download the key documents described herein and in the Disclosure Statement, including, but not limited to, this Plan~~, the Plan Documents~~ and the Segregated Account Operational Documents.

1.64 Wis. Stat. § ___. The Wisconsin Statutes (~~2007~~2011-~~08~~12), as amended.

1.65 Write Down Transaction. Any transaction for which the Transaction Documents require the outstanding principal balance of the Insured Obligations to be reduced as a result of the allocation of realized losses to such Insured Obligations.

ARTICLE 2
TREATMENT OF CLAIMS GENERALLY

2.01 Administrative Claims. Unless the ~~Holder of a Permitted Administrative Claim and the Rehabilitator or the Management Services Provider agree to a different treatment~~Court or

the Rehabilitator (in his sole and absolute discretion) has permitted an Alternative Resolution in accordance with Section 3.06 of this Plan, each Holder of a Permitted Administrative Claim shall receive, in full satisfaction of such Permitted Administrative Claim, Cash equal to the amount of such Permitted Administrative Claim, in accordance with the procedures set forth in Section 4.03 below.

2.02 Policy Claims. ~~Unless~~Unless the Court or the Rehabilitator (in his sole and absolute discretion) has permitted an Alternative Resolution in accordance with Section 3.06 of this Plan, or the Holder of a Permitted Policy Claim ~~and the Rehabilitator or the Management Services Provider agree to a different treatment in accordance with Section 3.06 of this Plan, each Holder of a Permitted Policy Claim shall receive, in full satisfaction of such Permitted Policy Claim, (i) Cash equal to the amount of such Permitted Policy Claim multiplied by the Cash Percentage and (ii) a Surplus Note (or beneficial interest therein), the principal amount of which is equal to the amount of such Permitted Policy Claim multiplied by the Surplus Note Percentage, in accordance with the procedures set forth in Section 4.04 of this Plan. Payment by AAC of a Policy Claim relating to an obligation of ACP under the related credit default swap shall be deemed payment by ACP of its obligations under such credit default swap. Nothing in this Plan shall cause to inure to the benefit of any Holder of a Policy Claim any greater right than that which would have existed were the Segregated Account not in rehabilitation.~~has already received an Interim Payment in respect of such Permitted Policy Claim pursuant to the Interim Cash Payment Rules as contemplated by the Payment Guidelines, each Holder of a Permitted Policy Claim shall receive an Interim Payment in respect of such Permitted Policy Claim as provided in the Payment Guidelines. In addition, the Rehabilitator shall cause the Segregated Account to establish a Deferred Amount for each Policy in respect of which an Interim Payment has been made, or in the case of a Policy

that insures multiple Insured Obligations, for each Insured Obligation insured by such Policy in respect of which an Interim Payment has been made, as set forth in the Payment Guidelines. Deferred Amounts shall accrete at the Accretion Rate subject to, and in accordance with, the Payment Guidelines. The Rehabilitator may, in his sole and absolute discretion, make Deferred Payments in respect of each Deferred Amount and/or increase the Interim Payment Percentage from time to time in accordance with the Payment Guidelines.

2.03 General Claims. Unless the Holder of a General Claim and the Rehabilitator or the Management Services Provider agree to a different treatmentCourt or the Rehabilitator (in his sole and absolute discretion) has permitted an Alternative Resolution in accordance with Section 3.06 of this Plan, the Rehabilitator shall cause the Segregated Account to establish a Junior Deferred Amount with respect to each Holder of a Permitted General Claim shall receive, in full satisfaction of such Permitted General Claim, a Junior Surplus Note, the principal amount of which is equal to the amount of such Permitted General Claim, in accordance with the procedures set forth in Section 4.05 of this Plan.in accordance with the Payment Guidelines. Junior Deferred Amounts shall accrete at the Accretion Rate, as set forth in the Payment Guidelines. The Rehabilitator may, in his sole and absolute discretion, make Junior Deferred Payments in accordance with the Payment Guidelines.

2.04 Reconciliation of Deferred Loss Amounts. On a semi-annual basis, in accordance with the procedure set forth in the Payment Guidelines, the Management Services Provider, the Rehabilitator and the Holders of any outstanding Deferred Amounts, including those acting in their capacity as Trustee, shall reconcile the Deferred Loss Amounts relating to such Permitted Policy Claims. Such Holders shall fully cooperate with the Management Services Provider and the Rehabilitator to complete the Reconciliations, including, without limitation, by

providing any information and/or further supporting documentation reasonably requested by the Management Services Provider or the Rehabilitator. All Reconciliation Notices issued by the Management Services Provider are final unless the Holder disputes the Reconciliation Notice in accordance with the procedure set forth in the Payment Guidelines. The Management Services Provider may withhold a Permitted Policy Claim Holder's Reconciliation Notice, Deferred Payment, or any other Payment if such Holder fails to cooperate fully with the Management Service Provider and the Rehabilitator as contemplated by this Section 2.04, or if such Holder, or any party to the transaction relating thereto, is in violation of this Plan, the Injunction, the Payment Guidelines, or any other order of the Court relating to the Segregated Account.

2.05 Surplus Notes and Junior Surplus Notes. On or about the Deferred Payment Date when any Deferred Payment or Junior Deferred Payment is made, the Segregated Account shall pay the holder of each outstanding Surplus Note or Junior Surplus Note, as applicable, an amount equal to the product of (i) the Deferred Payment Percentage or Junior Deferred Payment Percentage applicable to such Deferred Payment or Junior Deferred Payment and (ii) the sum of the principal and accrued but unpaid interest outstanding, as of the immediately preceding Reconciliation Date, under each such Surplus Note or Junior Surplus Note. Any such payment shall be applied in accordance with the terms of the Surplus Notes and any applicable fiscal agency agreement, and shall be deemed approved by OCI in accordance with Wis. Stat. § 611.33(2)(d).

ARTICLE 3
MEANS FOR IMPLEMENTATION OF PLAN

3.01 Continued Existence of the Segregated Account. The Segregated Account will continue to exist after the Effective Date with all the powers under applicable law, without prejudice to any right to terminate such existence under applicable law after the Effective Date. The Segregated Account Operational Documents shall remain in full force and effect according to

their respective terms after the Effective Date, until terminated in accordance with their respective terms.

3.02 Rehabilitator. The Commissioner shall remain the appointed Rehabilitator of the Segregated Account. Any successor(s) to the Commissioner shall automatically assume this appointment as Rehabilitator of the Segregated Account, with all the powers and duties described herein. The Rehabilitator shall have the full powers and authority granted pursuant to Wis. Stat. §§ 645.33 to 645.35 and all other applicable laws as are reasonable and necessary to fulfill the duties and responsibilities under the Rehabilitation Order and this Plan, and the Payment Guidelines, including, but not limited to, the power and authority to interpret the terms and conditions of this Plan and the Payment Guidelines in order to carry out the purposes and effects of this Plan and the Payment Guidelines. In furtherance thereof, the Rehabilitator has the authority to issue to all interested Persons guidelines or further directions as may be necessary or appropriate from time to time in his sole and absolute discretion in order to carry out the purposes and effects of this Plan and the Payment Guidelines.

3.03 Special Deputy Commissioner. The Special Deputy Commissioner and any successor appointed by the Rehabilitator pursuant to Wis. Stat. § 645.33 for the purposes of carrying out the rehabilitation shall have all of the powers of the Rehabilitator under Wis. Stat. §§ 645.33 to 645.35 and all other applicable laws as are reasonable and necessary to fulfill such duties and responsibilities as are set forth in the Rehabilitation Order and this Plan and the Payment Guidelines.

3.04 Management Services Provider. Subject to the oversight of the Rehabilitator and the Special Deputy Commissioner, the Management Services Provider shall continue to manage

the Segregated Account pursuant to the terms of the Management Services Agreement and the Cooperation Agreement.

3.05 Administration of this Plan. After the Effective Date, the Management Services Provider shall perform those responsibilities, duties, and obligations set forth in this Plan and the Payment Guidelines on behalf of the Segregated Account. To the extent that the manner of performance is not specified in this Plan, the Payment Guidelines, the Management Services Agreement, the Cooperation Agreement, or any guidelines issued by the Rehabilitator or the Special Deputy Commissioner under any of the foregoing, the Management Services Provider shall have the discretion to carry out and perform all other obligations or duties imposed on it by this Plan, the Payment Guidelines or by law in any manner it so chooses, as long as such performance is consistent with the purposes and effects of this Plan and the Payment Guidelines, as determined by the Rehabilitator in his sole and absolute discretion.

3.06 Alternative Resolutions of Claims. Nothing in this Plan shall limit the ability of the Rehabilitator to resolve any Claim through the arrangement, negotiation, effectuation and execution of an amendment, restructuring, refinancing, purchase, repurchase, termination, settlement, commutation, tender, synthetic commutation or tear-up, or any similar transaction that results in the extinguishment or reduction of the Segregated Account's liability, in respect of, as applicable, (i) all or part of the Policy or Policies, (ii) all or part of the underlying ~~obligation or obligations insured by such Policy or Policies~~Insured Obligation or (iii) the underlying instrument, contract or arrangement, if any, giving rise to such Claim (each, as applicable, an "Alternative Resolution"), subject to the following requirements:

(a) each Alternative Resolution must not violate the law and must be equitable to the interests of the Holders of Policy Claims generally, as determined in the sole and absolute discretion of the Rehabilitator; and

(b) the Rehabilitator shall obtain the approval of this Court prior to effectuating any Alternative Resolution that involves the payment of Cash by the Segregated Account in excess of $50 million.

3.07 Paying Agent. On or after the Effective Date, the Segregated Account may, in the sole and absolute discretion of the Rehabilitator and without Court approval, elect to retain one or more Paying Agents for the purpose of making Deferred Payments under this Plan. Any such Paying Agent retained by the Segregated Account shall serve on the terms and conditions and at the rates set forth in the parties' written engagement agreement. A Paying Agent's duties shall include, without limitation, those set forth in Sections 2.10 and 2.11 of the Payment Guidelines.

ARTICLE 4
PROCEDURES GOVERNING SUBMISSION OF CLAIMS AND ~~DISTRIBUTIONS~~PAYMENTS

4.01 Claims Administration. ~~The Management Services Provider will retain responsibility~~Pursuant to the Management Services Agreement, the Rehabilitator has engaged the Management Services Provider to assist him and the Segregated Account in processing all Claims. Subject to the oversight and control of the Special Deputy Commissioner and the Rehabilitator, the Management Services Provider is responsible for administering, disputing, objecting to, compromising or otherwise resolving all Claims in accordance with this Plan, ~~subject to the provisions of this Plan~~the Payment Guidelines, and the Segregated Account Operational Documents, together with any other rules or guidelines issued by the Rehabilitator or the Special Deputy Commissioner under any of the foregoing, all existing orders of the Court and the specific

~~direction~~directions of the Rehabilitator or the Special Deputy Commissioner. ~~Claims under Surplus Notes or Junior Surplus Notes shall not be treated as Administrative Claims, Policy Claims or General Claims for purposes of this Plan.~~

~~**4.02 Secured Note, Reinsurance Agreement and Cooperation Agreement.**~~

4.02 ~~**(a) Distributions of Cash**~~**Payments in Respect of Permitted Claims and Surplus Notes.** ~~Promptly following each Determination Date, the~~The Management Services Provider shall, on behalf of the Segregated Account, demand payment from AAC pursuant to Section 1(a) of the Secured Note in the amount of ~~the Cash to be distributed on the next Payment Date in respect of Permitted Claims~~Cash to be paid in connection with any Payment and any payments made on account of Surplus Notes or Junior Surplus Notes as provided in Section 2.05 of this Plan. In the event that the Secured Note has been fully drawn, the Management Services Provider shall, on behalf of the Segregated Account, as applicable, render the Monthly Account (as defined in the Reinsurance Agreement) to AAC as reinsurer pursuant to Section 1.05 of the Reinsurance Agreement or demand payment from AAC pursuant to Section 4.02 of the Cooperation Agreement, in each case in ~~accordance with the respective terms thereof.~~

~~**(b) Payment of Principal and Interest in Respect of Surplus Notes and Junior Surplus Notes.** In the event that OCI has authorized the payment of any interest or principal under any surplus notes issued by the Segregated Account, the Management Services Provider shall, on behalf of the Segregated Account, demand payment from AAC pursuant to Section 1(a) of the Secured Note in the amount of the Cash to be distributed in respect of such surplus notes. In the event that the Secured Note has been fully drawn, the Management Services Provider shall, on behalf of the Segregated Account, as applicable, include the amount of Cash to be distributed in respect of such surplus notes in the Monthly Account rendered to AAC as~~

~~reinsurer pursuant to Section 1.05 of the Reinsurance Agreement~~the amount of Cash to be paid in connection with any Payment and any payments made on account of Surplus Notes or Junior Surplus Notes. Unless the Court or the Rehabilitator permits an Alternative Resolution of a Claim for non-Cash consideration (in whole or in part) in accordance with Section 3.06 of this Plan, all Payments shall be made in Cash.

4.03 Administrative Claims.

(a) Submission of Administrative Claims. The Holder of an Administrative Claim shall submit its Administrative Claim to the Management Services Provider or, if directed by the Rehabilitator, to the Rehabilitator, in the same manner as such Holder would submit such Administrative Claim in the ordinary course of business, and in accordance with, and including such information as is required by, the provisions of the underlying instrument(s), contract(s) or arrangement(s) giving rise to such Administrative Claim, if any. Each such Administrative Claim submitted in accordance with this Section shall be referred to as a Pending Administrative Claim.

(b) Evaluation of Pending Administrative Claims. The Management Services Provider or, in his sole and absolute discretion, the Rehabilitator shall evaluate each Pending Administrative Claim to determine whether such Pending Administrative Claim is a Permitted Claim or whether an Objection should be raised as to such Administrative Claim in accordance with ~~Section 4.06.~~the Payment Guidelines. The Management Services Provider or the Rehabilitator may ask any Holder to supplement its Pending Administrative Claim with further supporting documentation in order to evaluate such Pending Administrative Claim. Upon the determination by the Management Services Provider or the Rehabilitator that a Pending Administrative Claim constitutes a Permitted Claim, such Administrative Claim shall be considered a Permitted Administrative Claim.

(c) Payment of Administrative Claims. ~~Subject to the provisions of Section 3.06, the Management Services Provider shall distribute~~The Segregated Account shall make a Payment to each Holder of a Permitted Administrative Claim, in accordance with normal business practices and in complete satisfaction of such Permitted Administrative Claim, ~~Cash~~in an amount equal to the dollar amount of such Permitted Administrative Claim. Notwithstanding the foregoing, the Management Services Provider may, in its discretion, allow Payments of Permitted Administrative Claims to be ~~paid~~made directly by AAC, and such amount shall be deemed to have been paid by the Segregated Account.

4.04 Policy Claims.

~~**(a) Submission of** Policy Claims. The Holder of a Policy Claim, including any Policy Claim arising prior to the Effective Date, shall submit to the Management Services Provider (i) such Policy Claim in accordance with, and including such information as is required by, the provisions of the applicable Policy and any other underlying instrument(s) or contract(s) giving rise to or governing the submission of such Policy Claim and (ii) a completed and executed Proof of Policy Claim Form relating to such Policy Claim. A Holder shall not submit a Claim any earlier than permitted under the relevant Policy or other underlying instrument(s) or contract(s) giving rise to or governing the submission of such Policy Claim. Each such Policy Claim submitted in accordance with this Section shall be referred to as a Pending Policy Claim.~~

~~**(b) Evaluation of Pending Policy Claims.** The Management Services Provider shall evaluate each Pending Policy Claim to determine whether the amount set forth in the Proof of Policy Claim is a Permitted Claim or whether an Objection should be raised as to such Policy Claim in accordance with Section 4.06. The Management Services Provider may ask any Holder to supplement its Pending Policy Claim with further supporting documentation in order to~~

~~evaluate such Pending Policy Claim. Upon the determination by the Management Services Provider or the Rehabilitator that a Pending Policy Claim constitutes a Permitted Claim, such Policy Claim shall be considered a Permitted Policy Claim.~~

~~**(c) Distributions of Cash.** Subject to Section 3.06, the Management Services Provider shall distribute to each Holder of a Permitted Policy Claim Cash equal to the dollar amount of such Permitted Policy Claim multiplied by the Cash Percentage. Such Distribution shall occur on the Payment Date that next follows the Determination Date on which such Claim was determined to be a Permitted Policy Claim. Such amount shall be paid by the Segregated Account to the account of the Holder specified in the Proof of Policy Claim Form relating to such Policy Claim. Such payment of Cash and the issuance of Surplus Notes, as provided in subsection (d) of this Section 4.04, shall constitute full and complete payment and settlement of such Policy Claim.~~

~~**(d) Issuance of Surplus Notes.** Subject to Section 3.06, the Segregated Account shall distribute to each Holder of a Permitted Policy Claim Surplus Notes with a principal amount equal to the dollar amount of such Permitted Policy Claim multiplied by the Surplus Note Percentage. Such Distribution shall occur on the Payment Date that next follows the Determination Date on which such Claim was determined to be a Permitted Policy Claim. On or prior to each Payment Date, the Management Services Provider shall, on behalf of the Segregated Account, execute and deposit with the Fiscal Agent a global Surplus Note in the name of The Depository Trust Corporation (or nominee thereof) in principal amount equal to the aggregate dollar amount of Surplus Notes to be issued on such date. A Holder of a Permitted Policy Claim may request in the relevant Proof of Policy Claim Form to receive a certificated Surplus Note in lieu of a beneficial interest in a global Surplus Note, and the principal amount of such global~~

~~Surplus Note will be reduced by an amount equal to the principal amount of such certificated Surplus Note; provided, that the Management Services Provider may, in its sole and absolute discretion, decline to issue such Surplus Notes in certificated form. Beneficial interests in the Surplus Notes held in global form shall be transferred to the Holders of Permitted Policy Claims in accordance with the rules and procedures of the Fiscal Agent and The Depository Trust Corporation, including any arrangements agreed to with the Segregated Account from time to time, and to the extent received by a Holder acting in its capacity as trustee, shall be transferred by such Holder to the beneficial holders for whom it is acting as trustee. Each Holder of a Permitted Policy Claim, including a Holder acting in its capacity as trustee, and each party to any instrument(s) or contract(s) (i) pursuant to which a Policy was issued, (ii) which governs the payment of claims under a Policy or (iii) which governs or specifies the subsequent allocation, distribution or disbursement of cash, funds, moneys or other amounts received pursuant to a Policy, including but not limited to, any note, indenture, certificate, servicing agreement or other similar instrument or agreement, shall be required to accept any Surplus Notes (or any beneficial interest therein) issued to such Holder or beneficiary in accordance with this Plan, in lieu of any cash payments required to be made to such Holder or beneficiary in full and complete satisfaction of such cash payment obligation of the Segregated Account in respect of such Permitted Policy Claim, regardless of the existence of any provision in such Policy or any other underlying instrument(s) or contract(s) that would require, or that contemplates, the discharge of the obligations of the Segregated Account through the payment of Cash. Notwithstanding the generality of the foregoing, the Segregated Account or any such Holder or beneficiary acting as a trustee may allocate, distribute or disburse Surplus Notes issued in accordance with this Plan by allocating, distributing or disbursing such Surplus Notes (or any beneficial interest therein) to the~~

~~beneficial holders of such underlying financial instrument(s) through the relevant custodians holding the positions on behalf of the beneficial holders, and such custodians shall be required to accept and distribute such Surplus Notes to the beneficial holders in accordance with procedures acceptable to the Rehabilitator.~~

~~**(e) Distributions under Surplus Notes.** As set forth in the Surplus Notes, all payments of principal and interest under the Surplus Notes shall be subject to the prior approval of the Commissioner.~~

~~**(f) Subsequent Adjustments.** If the Rehabilitator or the Management Services Provider determines that the amount of the Cash received by and/or the principal amount of the Surplus Note credited to the Holder of a Permitted Policy Claim as a Distribution in any given Distribution was incorrect, the Rehabilitator or the Management Services Provider shall adjust the amount of the Cash received and/or the principal amount of the Surplus Note credited in respect of such Policy in one or more subsequent Distributions as necessary to account for such error.~~

~~**(g) Recoveries and Reimbursements on Policy Claims.** Notwithstanding the Proceeding or any provisions of this Plan, including, but not limited to, the satisfaction of Permitted Policy Claims with Surplus Notes in lieu of Cash, AAC shall be entitled to recover the full amount of all recoveries, reimbursements and other payments and to receive any assets it is owed in its capacity as insurer, surety, credit support provider, credit enhancer, credit default swap counterparty or similar capacities, or as assignee or subrogee, under the applicable Policy and any related underlying instrument(s) or contract(s) governing the priority or distribution of cash recoveries or delivery of assets, unless otherwise waived by AAC and the Management Services~~

Provider or the Rehabilitator or approved by AAC and the Management Services Provider or the Rehabilitator.

(h) Assignment of Rights. Without prejudice to (i) the terms and provisions of the applicable Policy and any related underlying instrument(s) or contract(s) and (ii) any assignment previously executed, whether pursuant to a Proof of Policy Claim Form or otherwise, upon receipt of a payment with respect to a Permitted Policy Claim, each such Holder shall be deemed to have assigned its rights relating to that payment under the underlying instrument(s) or contract(s) to AAC shall be submitted, Permitted or Disputed, and Deferred Amounts shall be established, and, in each case, paid as appropriate, according to the procedures set forth in the Payment Guidelines. Holders acting in their capacity as Trustees shall permit, and provide any authorization or direction (but not indemnification) needed for, the Segregated Account, AAC, any Paying Agent and/or DTC to make, process and/or accept any Payments (including, without limitation, Accretion Amounts) as contemplated by the Payment Guidelines.

4.05 General Claims. **(a) Submission of General Claims.** General Claims shall be submitted, Permitted and/or Disputed, and Junior Deferred Amounts shall be established and paid as appropriate, according to the procedures set forth in the Payment Guidelines. The Holder of a General Claim shall submit its General Claim to the Management Services Provider or, if directed, to the Rehabilitator in the same manner as such Holder would submit such General Claim in the ordinary course of business, and in accordance with, and including such information as is required by, the provisions of the underlying instrument(s) or contract(s) giving rise to or governing the submission of such General Claim, if any. A Holder shall not submit a General Claim any earlier than permitted under the relevant instrument(s) or contract(s) giving rise to or governing the

~~submission of such General Claim. Each such General Claim submitted in accordance with this Section shall be referred to as a Pending General Claim.~~

~~**(b) Evaluation of Pending General Claims.** The Management Services Provider shall evaluate each Pending General Claim to determine whether the Claim is a Permitted Claim or whether an Objection should be raised as to such General Claim in accordance with Section 4.06. The Management Services Provider or the Rehabilitator may ask any Holder to supplement its Pending General Claim with further supporting documentation in order to evaluate such Pending General Claim. Upon the determination by the Management Services Provider or the Rehabilitator that a Pending General Claim constitutes a Permitted Claim, such General Claim shall be considered a Permitted General Claim.~~

~~**(c) Issuance of Junior Surplus Notes.** Subject to Section 3.06, from time to time, the Management Services Provider shall, on behalf of the Segregated Account, execute and deliver to each Holder of a Permitted General Claim a Junior Surplus Note in a principal amount equal to the dollar amount of such Permitted General Claim.~~

4.06 Disputed Claims. The Rehabilitator or the Management Services Provider may raise an Objection to any portion of, or any, Pending Claim ~~in whole or in part on any ground, including, but not limited to, the ground that~~as provided in the Payment Guidelines. All Objections are final, and the Claim or the portion thereof in respect of which the Rehabilitator or the Management Services Provider ~~lacks sufficient information to evaluate such Pending Claim, that all or part of such Claim is a Duplicate Claim or that all or part of such Claim is a Late Claim, by providing the Holder of the Claim or the Holder's attorney (as applicable) with written notice of the substance of the Objection. No later than the sixtieth (60th) day after the mailing of such written notice to the Holder, the Holder, if it wishes to dispute such Objection, shall send to the~~

Management Services Provider written responses to the Objection. The responses must clearly set forth all facts and the legal basis, if any, for the opposition and the reasons why the Claim should be a Permitted Claim. If no response is sent by the Holder within such sixty (60) day period, the Claimhas raised an Objection, as applicable, shall become a Disallowed Claim without order of the Court. If a response is submitted within such sixty (60) day period, the Rehabilitator shall resolve such dispute and no further dispute resolution shall be permitted, unless the Holder of such Disputed Claim follows the dispute resolution procedures set forth in the Payment Guidelines. Upon final determination in accordance with this Plan and communicate such resolution to the Holder. In the event that the Rehabilitator determines that such Disputed Claim is fully or partially a Disallowed Claim, the Holder has the right to file a motion with the Court asserting that the Rehabilitator disallowed such Claim in violation of the provisions of this Plan. or the Interim Cash Payment Rules that a Claim is a Disallowed Claim, such determination shall effect a full and complete release and termination of any liabilities, duties, obligations, Liens, other claims, interests, or encumbrances upon the Segregated Account and AAC with respect to such Disallowed Claim.

4.07 Setoffs. The Rehabilitator may set off in whole or in part against any Permitted Claim or any Distribution of Cash, Surplus Notes or Junior Surplus Notes to be made under this Plan on account of such Permitted Claim, all claims, rights, and causes of action of any nature that the Rehabilitator, AAC or the Segregated Account may have against the Holder of such Permitted Claim that are not otherwise waived, released, or compromised in accordance with the Plan. Neither the failure to effect such a setoff nor the determination that any Claim is Permitted under this Plan will constitute a waiver or release by the Rehabilitator, AAC or the Segregated Account of any such claims, rights, and causes of action, notwithstanding any compulsory counterclaim

~~rules or requirements to the contrary.~~As provided in the Payment Guidelines, the Rehabilitator may set off in whole or in part against Permitted Claims, any Payment, Deferred Amount, Junior Deferred Amount, or any other amount established, paid or payable by or on behalf of the Segregated Account on account of a Permitted Claim.

4.08 Recoveries on Policy Claims. Notwithstanding the Proceeding, any provisions of the Interim Cash Payment Rules, the Payment Guidelines, this Plan, the Disclosure Statement and/or any amendments and/or or supplements thereto, the Segregated Account shall be entitled, in the Rehabilitator's sole and absolute discretion, to reduce its obligations under this Plan to the Holders of Permitted Policy Claims by any Recovery Amounts attributable to such Holders or the relevant Insured Obligations, whether by: (i) reducing the amount of any Payments to such Holders; (ii) reducing the Deferred Amount(s) established for such Holders; or (iii) if the applicable Transaction Documents so provide, reducing the current month's Claim under such Policy. No Holder, Trustee or Beneficial Holder may apply a Recovery Amount in a manner inconsistent with the determination by the Segregated Account pursuant to this Section 4.08 or the Payment Guidelines.

4.09 Reimbursements on Policy Claims. Notwithstanding the Proceeding, any provisions of the Interim Cash Payment Rules, the Payment Guidelines, this Plan, the Disclosure Statement and/or any amendments and/or supplements thereto, unless waived in writing by the Management Services Provider or the Rehabilitator (following consultation with AAC), AAC shall be entitled to collect any Reimbursement Amounts that it becomes, or is, entitled to receive under the Transaction Documents in relation to any: (i) payments made prior to the Petition Date pursuant to, and in accordance with, the applicable Policy and any related Transaction Documents; (ii) payments made according to the Interim Cash Payment Rules; (iii) Payments made (other than

Accretion Amounts); and (iv) other amounts paid by or on behalf of the Segregated Account in respect of an Insured Obligation, and in any case where such payment is made by a Person other than AAC, then in each such case as if AAC had paid such amount under the relevant Policy to the Holder directly.

4.10 Subsequent Adjustments. If the Rehabilitator or the Management Services Provider determines that any amount of the Cash received by the Holder of a Permitted Claim as a Payment, a payment under the Interim Cash Payment Rules, or any other amount paid by or on behalf of the Segregated Account in respect of a particular Insured Obligation was incorrect, the Rehabilitator or the Management Services Provider may, as necessary to account for such error: (i) recoup from the Holder the amount of such Payments or other amounts paid by the Segregated Account; (ii) adjust the amount of the Cash paid in respect of the relevant Insured Obligation in one or more subsequent Payments of other Permitted Claims; or (iii) reduce the Holder's then applicable Deferred Amount or Junior Deferred Amount for the relevant Insured Obligation, by following the procedure set forth in the Payment Guidelines. All Subsequent Adjustments are final and no further dispute resolution shall be permitted, unless the Holder of such Permitted Claim follows the dispute resolution procedures set forth in the Payment Guidelines.

4.11 Terminated Trusts. Notwithstanding the terms of any Transaction Documents to the contrary, at no time throughout the effective duration of this Plan shall any Trustee acting on behalf of and for the benefit of Beneficial Holders, or any other person, be permitted to terminate the trust or an indenture relating to a Policy, or to extinguish or retire, or cause to be extinguished, retired, or terminated, any Insured Obligation insured by such Policy in respect of which a Deferred Amount is continuing, without the express, written consent of AAC and the Rehabilitator. If the terms of the Transaction Documents at any time permit termination,

extinguishment or retirement of an Insured Obligation or a trust or indenture, then in such event the Trustee shall, at its election, either (a) continue to serve as Trustee on the same terms and conditions set forth in the Transaction Documents but at rates authorized by the Rehabilitator, or (b) assign all of its rights and obligations under such Transaction Documents to a trustee/agent designated by the Rehabilitator.

ARTICLE 5
~~CONDITIONS PRECEDENT TO~~ EFFECTIVENESS

5.01 ~~**Conditions Precedent to Effectiveness.**~~**Effective Date.** ~~Notwithstanding any other provision of this Plan or the Confirmation Order, the~~The Effective Date of this Plan shall ~~not occur, and this Plan shall not be binding on any party, unless and until each of the following conditions has been satisfied:~~be the first Business Day after the Court enters an order approving the Amendments.

~~(a) the Court shall have entered the Confirmation Order, which Confirmation Order shall approve, among other things, the procedural and substantive fairness of the terms and conditions of the issuance of the Surplus Notes under Section 4.04(d) of this Plan, in form and substance reasonably satisfactory to the Rehabilitator and consistent with the representations in the No-action Letter Request, all as determined by the Rehabilitator in the Rehabilitator's sole and absolute discretion;~~

~~**(B)** the Rehabilitator must be in receipt of (i) a No-action Letter in form and substance reasonably satisfactory to the Rehabilitator and, (ii) where possible, and in the Rehabilitator's sole and absolute discretion, no-action letters or written confirmations of the availability of securities registration exemptions from the securities law administrator of each of the fifty states of the United States, the District of Columbia and the Commonwealth of Puerto Rico.~~

~~(C) the Segregated Account and the Fiscal Agent shall have executed the Fiscal Agency Agreement;~~

~~(D) OCI shall have issued a letter approving the issuance of the Surplus Notes under Section 4.04(d) of this Plan and the Junior Surplus Notes for the purposes set forth in this Plan; and~~

~~(E) all other actions, documents and agreements necessary to implement this Plan as of the Effective Date shall have been delivered and all conditions precedent thereto shall have been satisfied or waived, in each case, as determined in the sole and absolute discretion of the Rehabilitator.~~

5.02 Notification of Effective Date. ~~Upon satisfaction of all of the conditions set forth in Section 5.01 and in the definition of "~~On the Effective Date,~~"~~ or as soon as reasonably practicable thereafter, the Rehabilitator shall post a notice to the Website advising of the Effective Date of this Plan.

ARTICLE 6
RETENTION OF JURISDICTION

6.01 Retention of Jurisdiction. Following the Effective Date, the Court shall retain exclusive jurisdiction over this Proceeding in accordance with the Act to ensure that the purposes and intent of this Plan and the Payment Guidelines are carried out. Without limiting the generality of the foregoing, and except as otherwise provided in this Plan or the Payment Guidelines, the Court shall also expressly retain exclusive jurisdiction: ~~(a) to hear and determine all Objections to Disputed Claims; (b) to hear, determine and enforce all causes of action that may exist against the Segregated Account or against the General Account or AAC or the Management Services Provider in regards to the Segregated Account; and (c) for all purposes pertaining to the treatment or~~

~~classification of Claims. The Court shall further retain exclusive jurisdiction for the following additional purposes:~~

(a) to hear and determine Objections to Disputed Claims and disputes relating to Reconciliation Notices and/or Subsequent Adjustments;

(b) to hear, determine and enforce causes of action that may exist by or against the Segregated Account or by or against the General Account or AAC or the Management Services Provider in regards to the Segregated Account;

(c) ~~(a) to modify this Plan after the Confirmation Date;~~for all purposes pertaining to the treatment or classification of Claims;

(d) ~~(B)~~ to enter such orders and injunctions as are necessary to enforce the respective title, rights, and powers of the Segregated Account, the terms of this Plan and the Payment Guidelines, and to impose such limitations, restrictions, terms, and conditions on such title, rights, and powers as the Court may deem necessary;

(e) ~~(C)~~ to enter an order closing the Proceeding;

(f) ~~(D)~~ to correct any defect, cure any omission, or reconcile any inconsistency in this Plan, the Payment Guidelines, or in any order of the Court as may be necessary to implement the purposes and intent of this Plan and the Payment Guidelines;

(g) ~~(E)~~ to determine any ~~and all~~ motions, applications, and other contested matters that may be pending on the Effective Date;

(h) ~~(F)~~ to consider any amendment or modification of this Plan or any documents related to this Plan ~~Document~~;

(i) ~~(G)~~ to determine ~~all~~ controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, or consummation of this Plan or the Payment Guidelines;

(j) ~~(H)~~ to consider and act on the compromise and settlement of any Claim against or cause of action by or against the Segregated Account or in relation to Policies and other liabilities allocated to the Segregated Account arising under or in connection with this Plan;

(k) ~~(I)~~ to determine such other matters or proceedings as may be provided for under the Act, this Plan, or in any order or orders of the Court, including, but not limited to, the Confirmation Order or any order that may arise in connection with this Plan, the Proceeding, or the Confirmation Order; and

(l) ~~(J)~~ to interpret and enforce, and determine ~~all~~ questions and disputes regarding, the injunctions, releases, exculpations, and indemnifications provided for or set forth in this Plan or the Confirmation Order.

ARTICLE 7
ANNUAL REPORTS TO COURT

7.01 Annual Reports. No later than June 1 of each year, the Rehabilitator shall file a report with the Court advising the Court on the status of the rehabilitation of the Segregated Account. Such report shall:

(a) provide an updated financial analysis showing the estimated liabilities and available claims paying resources of the Segregated Account;

(b) update the Court on the status of the run-off and/or settlement of the liabilities allocated to the Segregated Account;

(c) ~~indicate whether the next scheduled interest payment in respect of the Surplus Notes shall be approved by OCI; and~~ [DELETED]

(d) provide such other information as is required by law, requested by the Court or deemed appropriate by the Rehabilitator.

~~**7.02 Amendments to Cash Percentage and Surplus Note Percentage.** In conjunction with the submission of such annual report, the Rehabilitator may petition the Court to amend this Plan in accordance with Section 10.04 to simultaneously increase the Cash Percentage and decrease the Surplus Note Percentage by corresponding amounts, if, based on the Rehabilitator's analysis of the estimated liabilities and available claims paying resources of the Segregated Account, the Rehabilitator has determined, in his sole and absolute discretion, that such an amendment is equitable to the interests of the Holders of Policy Claims generally. In determining whether such an amendment is equitable to the interests of the Holders of Policy Claims generally, the Rehabilitator shall consider whether, in conjunction with any such amendment, outstanding Surplus Notes should be partially redeemed, pre-paid, or called.~~

ARTICLE 8
~~DISCHARGE, RELEASE AND~~ INJUNCTION

8.01 ~~Discharge, Release and~~ Injunction. ~~Except as may otherwise be provided herein, the Distributions in respect of a Permitted Claim under this Plan shall be in complete exchange for, and in full and unconditional settlement, satisfaction, discharge and release of such Claim, and shall effect a full and complete release, discharge, and termination of any Liens, or other claims, interests, or encumbrances upon the Segregated Account and AAC with respect to such Claim and only such Claims. In addition, upon final determination in accordance with this Plan that a Claim is a Disallowed Claim, such determination shall effect a full and complete release, discharge and termination of any Liens, other claims, interests, or encumbrances upon the Segregated Account and AAC with respect to such Claim.~~ Other than as expressly provided for in this Plan, all Holders of Claims are precluded from asserting against the Segregated Account, the General Account ~~or~~,

AAC, any Paying Agent or their respective successors or property or any of their respective current or former members, shareholders, affiliates, officers, directors, employees or agents, any Claims, obligations, rights, causes of action or liabilities, based upon any act, omission, transaction, or other activity of any kind or nature, made in connection with, or arising out of, the Segregated Account, AAC or the General Account with respect to the Segregated Account, the Proceeding, this Plan (and the Confirmation Order related ~~thereto)~~hereto), the Interim Cash Payment Rules, the Payment Guidelines, the consummation of this Plan, or the administration of this Plan or the property to be distributed under this Plan, other than claims of intentional fraud or willful misconduct. Except as otherwise expressly provided in this Plan, and except as otherwise agreed by the Rehabilitator ~~or~~and the Management Services Provider, all Holders of Claims shall be permanently barred and enjoined from asserting against the Segregated Account, the General Account or AAC, or their respective successors or property or any of their respective current or former members, shareholders, affiliates, officers, directors, employees or agents, any of the following actions on account of such Claim: (i) commencing or continuing in any manner any action or other proceeding on account of such Claim, or the property to be distributed under the terms of this Plan, other than to enforce any right to ~~Distribution~~a Payment to such Holders under this Plan, the Interim Cash Payment Rules, and/or the Payment Guidelines; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Segregated Account, the General Account or AAC or any of the property to be distributed under the terms of this Plan, the Interim Cash Payment Rules and/or the Payment Guidelines, other than as permitted under sub-paragraph (i) above; (iii) creating, perfecting, or enforcing any Lien or other encumbrance against property of the Segregated Account, the General Account or AAC, or any property to be ~~Distributed~~distributed under the terms of this Plan; (iv) asserting any right of

setoff, subrogation, or recoupment of any kind, directly or indirectly, against any obligation due to the Segregated Account, the General Account or AAC, or any property of the Segregated Account, the General Account or AAC, or any direct or indirect transferee of any property of, or successor in interest to, the Segregated Account, the General Account or AAC as prohibited by Wis. Stat. § 645.56; and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of this Plan.

8.02 ~~Discharge, Release~~Indemnification and Injunction With Regard to Holders and Sub-Trustee/Agents.~~With Regard to Holders and Sub-Trustee/Agents.~~ Each Holder acting on its own behalf or acting in its capacity as ~~a trustee and/or agent for the beneficial holder(s) of any underlying financial instrument(s) insured by a Policy~~Trustee, and any party to the Transaction Documents assigned or delegated in whole or in part duties relating to submitting or processing payment of Policy Claims under the related Transaction Documents (each a "Sub-Trustee/Agent"), shall submit any claim for payment under such Policy in accordance with the provisions of the Plan and the Payment Guidelines by completing and submitting the Proof of Policy Claim Form in full (in the form approved by the Rehabilitator)~~, including the selection of the delivery method for the payment in Surplus Notes~~. Actions taken in compliance with the Plan and the Payment Guidelines by any such Holder or Sub-Trustee/Agent shall not be deemed to be a violation of any provision in, or duty arising out of, the applicable Policy or related Transaction Documents. The Segregated Account shall indemnify any such Holder acting in its capacity as ~~a trustee and/or agent for the beneficial holder(s) of any underlying financial instrument(s) insured by a Policy,~~Trustee and any such Sub-Trustee/Agent, and any Paying Agent retained by the Segregated Account hereunder (each an "Indemnified Party") for any reasonable and documented out-of-pocket losses and costs, including reasonable attorney fees, incurred in defending any

lawsuit, action, or similar formal legal proceeding arising out of their compliance with the Plan and the Payment Guidelines (excluding losses and costs resulting from the negligence, gross negligence or other misconduct of such Indemnified Parties, provided, however, that for purposes of this indemnity, compliance with the Plan and the Payment Guidelines shall not be deemed to constitute negligence, gross negligence, or misconduct) (each a "Third Party Liability"), provided (a) no amounts shall be payable by the Segregated Account to any Indemnified Party to the extent that the same shall be reimbursable to them under or pursuant to the Transaction Documents and (b) any Indemnified Party making a claim for indemnification shall have used its best efforts to cause any such lawsuit, action or similar formal legal proceeding to be brought before the ~~Dane County Circuit~~ Court as part of this Proceeding.

Any indemnification obligation of the Segregated Account under this provision shall further be subject to the following: promptly upon receipt by any Indemnified Party of notice of any claim or of the commencement or threatened commencement of any action against the Indemnified Party which may constitute a Third-Party Liability, such Indemnified Party will cause notice to be given to the Segregated Account in writing of such claim or such commencement or threatened commencement of action or proceeding, together with a copy of any documents received by the Indemnified Party in connection therewith. In the event that any such claim or action shall be asserted against an Indemnified Party, the Indemnified Party shall consent to the intervention by the Segregated Account in any such suit in order to defend against said claim and/or shall tender to the Segregated Account control of the defense and settlement of such claim or action, and shall cooperate with the Segregated Account in such defense and settlement. The Segregated Account shall at all times have the right to employ counsel to represent both the Indemnified Party and the Segregated Account in any claim or action or proceeding, whether or

not the Segregated Account has requested intervention or tender of control; provided that in the event the Segregated Account's counsel or the Indemnified Party's counsel determines that there is a legal conflict of interest between the Segregated Account and such Indemnified Party, and neither the Segregated Account nor such Indemnified Party is willing to waive such conflict, then such Indemnified Party shall be entitled to retain one separate counsel, acceptable to the Segregated Account. Until the Segregated Account requests the control of the defense and settlement of such claim or action or unless the Segregated Account has otherwise employed counsel to represent both the Segregated Account and such Indemnified Party, such Indemnified Party shall have the right to employ its own counsel with respect to such lawsuit, action or similar formal legal proceeding, whose reasonable fees and expenses shall be Third-Party Liabilities (provided that the Segregated Account shall in no event be liable for the legal fees and expenses of more than one firm). Such Indemnified Party giving notice and, if requested, tendering defense of the lawsuit or action required by this paragraph are conditions to the Segregated Account's indemnification obligations hereunder. Further, the Segregated Account shall have no liability for any settlement of any lawsuit or action for which the Segregated Account otherwise agrees herein to indemnify an Indemnified Party unless written notice of such proposed settlement shall have been furnished to the Segregated Account, and the Segregated Account in its sole discretion shall have consented in writing to such settlement.

All persons and entities are enjoined and restrained from commencing or prosecuting any actions, claims, lawsuits or other formal legal proceedings in any state, federal or foreign court, administrative body or other tribunal other than the Court against: (i) any ~~Holder acting in its capacity as a trustee and/or agent for the beneficial holder(s) of any underlying financial instrument(s) insured by a Policy,~~Trustee in respect of such ~~Holder~~Trustee's compliance

with the Plan~~;~~ and~~/or~~ the Payment Guidelines; (ii) any Sub-Trustee/Agent, in respect of such Sub-Trustee Agent's compliance with the Plan and the Payment Guidelines; and/or (iii) any Paying Agent, in respect of such Paying Agent's compliance with the Plan and the Payment Guidelines. The Court shall have exclusive jurisdiction over such actions, claims, or lawsuits, which must be raised by motion or other filing in the Proceeding.

ARTICLE 9
IMMUNITY AND INDEMNIFICATION OF THE REHABILITATOR, EMPLOYEES, AND CONSULTANTS

9.01 Beneficiaries of Immunity and Indemnification. The following Persons are entitled to protection under this part of this Plan: OCI, the Rehabilitator, the Special Deputy Commissioner, the Segregated Account, AAC and the General Account, ~~and~~ the Management Services Provider, and any Paying Agent retained by the Rehabilitator pursuant to the Plan, and each of their respective current and former members, shareholders, affiliates, officers, directors, employees and agents (including any attorneys, financial advisors, investment bankers, consultants and other professionals retained by such Persons, and any other advisors or experts with whom OCI, the Rehabilitator or the Special Deputy Commissioner consults, as contemplated by Wis. Stat. § 645.33(3)).

9.02 Immunity and Indemnification. All Persons identified in Section 9.01 shall have official immunity and shall be immune from suit and liability, both personally and in their official capacities, for any act or omission made in connection with, or arising out of, the Segregated Account, AAC or the General Account with respect to the Segregated Account, the Proceeding, this Plan (and the Confirmation Order related ~~thereto)~~hereto), the Interim Cash Payment Rules, the Payment Guidelines, the consummation of this Plan, or the administration of this Plan or the property to be distributed under this Plan, whether prior to or following the commencement of the

Proceeding, with the sole exception of acts or omissions resulting from intentional fraud or willful misconduct as determined by a Final Order and, in all respects, such Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities, if any, under this Plan. If any legal action is commenced against any Person identified in Section 9.01, whether against that Person personally or in an official capacity, alleging property damage, property loss, personal injury or other civil liability caused by or resulting from any act or omission made in connection with, or arising out of, the Segregated Account, AAC or the General Account with respect to the Segregated Account, the Proceeding, this Plan (and the Confirmation Order related ~~thereto~~hereto), the consummation of this Plan, or the administration of this Plan or the property to be distributed under this Plan, that Person shall be indemnified by the Segregated Account for all expenses, attorney's fees, judgments, settlements, decrees or amounts due and owing or paid in satisfaction of or incurred in the defense of such legal action, unless it is determined by a Final Order that the alleged act or omission was caused by intentional fraud or willful misconduct. Any indemnification for expense payments, judgments, settlements, decrees, attorneys' fees, surety bond premiums or other amounts paid or to be paid by the Segregated Account pursuant to this part of this Plan shall be considered a Permitted Administrative Claim. Nothing contained in or implied by this part of this Plan shall operate, or be construed or applied to deprive any Person identified in Section 9.01 of any immunity, indemnity, benefits of law, rights or any defense otherwise available.

ARTICLE 10
GENERAL PROVISIONS

10.01 Governing Law. The rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Wisconsin, without giving effect to the principles of conflicts of law thereof.

10.02 Prior Orders and Agreements. Unless modified by this Plan, the Amendments, or the Payment Guidelines, the prior orders of this Court shall remain in full force and effect throughout the period of administration of this Plan. These orders include, without limitation, the Rehabilitation Order and the Injunction. Nothing in this Plan alters prior agreements or arrangements approved by the Rehabilitator with respect to the Segregated Account or any liability in respect of any Policy or other liability allocated to the Segregated Account.

10.03 Revocation or Withdrawal of this Plan. The Rehabilitator reserves the right to revoke or withdraw this Plan prior to the ~~Confirmation~~Effective Date. If the Rehabilitator so revokes or withdraws this Plan, then this Plan shall be null and void and, in such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Segregated Account or any other Person, or to prejudice in any manner the rights of the Segregated Account or any other Person in any further proceedings involving the Segregated Account.

10.04 Amendment and Modification of this Plan. The ~~Rehabilitator may in his sole and absolute discretion alter, amend, or modify this Plan, the Segregated Account Operational Documents or the Disclosure Statement at any time prior to the Confirmation Hearing Date. Following the Confirmation Date, the~~ Rehabilitator may seek the approval of the Court to alter, amend, or modify this Plan ~~or the Plan Documents~~ with such notice and hearing as the Court prescribes pursuant to Wis. Stat. § 645.33(5).

10.05 Termination of Rehabilitation. The Rehabilitator may at any time petition the Court for an order terminating the rehabilitation of the Segregated Account if rehabilitation has been accomplished and the grounds for rehabilitation no longer exist.

10.055 Limitation of Recovery. Other than in respect of Accretion Amounts, nothing in this Plan or the Payment Guidelines shall cause to inure to the benefit of any Holder of a Policy

Claim any greater right than that which would have existed were the Segregated Account not in rehabilitation.

10.06 Successors and Assigns. The rights, benefits, and obligations of any Person named or referred to in this Plan shall be binding upon, and shall inure to the benefit of, the heirs, executors, administrators, successors, or assigns of such Person.

10.07 Rules of Interpretation. For purposes of this Plan: (i) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (ii) any reference in this Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (iii) any reference in this Plan to an existing document or Exhibit filed, or to be filed, shall mean such document or Exhibit, as it may have been or may be amended, modified, or supplemented in accordance with its terms; (iv) unless otherwise specified, all references in this Plan to Sections and Articles are references to Sections and Articles of this Plan; (v) the words "herein" and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; and (vi) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan.

10.08 Implementation. The Rehabilitator and Management Services Provider shall take all steps, and execute all documents including appropriate releases, necessary to effectuate the provisions contained in this Plan.

10.09 Inconsistency. In the event of any inconsistency between this Plan and the Disclosure Statement, the provisions of this Plan shall govern. With respect to making Payments on Permitted Claims, the Payment Guidelines shall supersede any inconsistent provisions of the Plan, the Interim Cash Payment Rules or the Disclosure Statement that provide or impose rules, procedures, guidelines and/or obligations for, or on, any Person for the submission to and the evaluation, processing and payment of Claims by the Segregated Account.

10.10 No Admissions. Notwithstanding anything herein to the contrary, nothing contained in this Plan shall be deemed an admission by any Person with respect to any matter set forth herein.

10.11 Filing of Additional Documents. On or before the Effective Date, the Rehabilitator may file with the Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan.

10.12 Returned Payments. In the event that a Holder (including any Holder acting in its capacity as Trustee) rejects or returns a Payment to the Management Services Provider (other than for clerical or administrative error), the Segregated Account, AAC or the Rehabilitator for any reason, the amount thereof shall revert to AAC, notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws, and the corresponding Claim of any such Holder to such Payment shall be released and forever barred, except in the sole and absolute discretion of the Rehabilitator.

10.13 Recognition of Statutory Accounting. Given that the total amount of the Deferred Amount, including amounts attributable to Accretion Amounts, existing at a particular time represents the present value of the ultimate cost of settlement of the related Permitted Policy

Claim hereunder, such Deferred Amount shall be recorded as a loss reserve in accordance with the NAIC Statements of Statutory Accounting Principles, subject to any further guidance from OCI.

Dated: ~~November 29, 2010~~ _____, 2014

By: _____
~~Sean Dilweg~~Theodore K. Nickel,
Rehabilitator

EXHIBIT ~~A~~

~~FORM OF FISCAL AGENCY AGREEMENT~~1

PAYMENT GUIDELINES

EXHIBIT ~~B~~
~~FORM OF SURPLUS NOTE~~2
LVM PAYMENT GUIDELINES

~~EXHIBIT C~~
~~PROOF OF POLICY CLAIM FORM~~

~~EXHIBIT D~~
~~FORM OF JUNIOR SURPLUS NOTE~~