

In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

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**

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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. 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 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 Act or the Payment Guidelines shall have the meaning set forth in the Act or the 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 [DELETED]

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 [DELETED]

1.12 [DELETED]

1.13 Confirmation Order. 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, the Rehabilitator, AAC and Ambac Financial Group, Inc., effective March 24, 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 Permitted, in each case in accordance with the provisions of the Payment Guidelines.

1.18 Disclosure Statement. The Disclosure Statement Accompanying Plan of Rehabilitation filed with the Court on October 8, 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 [DELETED]

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 Transaction Documents giving rise to such Claim is the subject of, or is, a Pending Claim, Disputed Claim, Late Claim, Disallowed Claim or a Permitted Claim.

1.22 Effective Date. The day on which this Plan shall be effective, as 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 [DELETED]

1.26 [DELETED]

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, 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, 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, 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.

1.301 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 Notes. Any junior surplus notes issued by the Segregated Account.

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

1.32 Late Claim. 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 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, 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 [DELETED]

1.37 [DELETED]

1.38 Objection.Any dispute or objection with respect to a Claim, as contemplated by 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 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 (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 in compliance with the provisions 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, if any, that would 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 in respect of which the 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.

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 [DELETED]

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 forms attached to the Payment Guidelines as Exhibits B to be used, as each is applicable, by the Holders of relevant Policy Claims to submit such Policy Claims to the Management Services Provider in accordance with the relevant Payment Guidelines, as such 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 the Petition Date, as amended, modified or supplemented from time to time.

1.55 [DELETED]

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

1.57 [DELETED]

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.

1.621 Surplus Notes. Any surplus notes issued by the Segregated Account, other than the Junior Surplus Notes.

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 and the Segregated Account Operational Documents.

1.64 Wis. Stat. § ____. The Wisconsin Statutes (2011-12), 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 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 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 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 Court 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 Permitted General Claim 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, and their paying agent or calculating agent, as applicable, 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 or the Rehabilitator may withhold a Permitted Policy Claim Holder's Reconciliation Notice, Deferred Payment, or any other Payment if the Management Service Provider does not receive the additional information to facilitate the Reconciliations as contemplated by this Section 2.04, or if such Holder, paying agent or calculating agent, as applicable, 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 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 PAYMENTS

4.01 Claims Administration. 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, 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 directions of the Rehabilitator or the Special Deputy Commissioner.

4.02 Payments in Respect of Permitted Claims and Surplus Notes. 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 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 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 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. 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, 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 made directly by AAC, and such amount shall be deemed to have been paid by the Segregated Account.

4.04 Policy Claims. Policy Claims 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. 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.

4.06 Disputed Claims. The Rehabilitator or the Management Services Provider may raise an Objection to any portion of, or any, Pending Claim 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 has raised an Objection, as applicable, shall become a Disallowed Claim without order of the Court 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 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. 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. Where possible, upon termination, extinguishment or retirement of an Insured Obligation or a trust or indenture, it is not the intention of the Rehabilitator to continue the services required of a Trustee beyond those services necessary to effectuate this Plan, including, but not limited to, the effectuation of Recovery Amounts, Reimbursement Amounts, Reconciliations, Payments and Deferred Payments.

ARTICLE 5 EFFECTIVENESS

5.01 Effective Date. The Effective Date of this Plan shall be the first Business Day after the Court enters an order approving the Amendments.

5.02 Notification of Effective Date. 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 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) for all purposes pertaining to the treatment or classification of Claims;

(d) 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) to enter an order closing the Proceeding;

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

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

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

(j) 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) 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) to interpret and enforce, and determine 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) [DELETED]

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

ARTICLE 8 INJUNCTION

8.01 Injunction. Other than as expressly provided for in this Plan, all Holders of Claims are precluded from asserting against the Segregated Account, the General Account, 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 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 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 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 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 Indemnification and Injunction With Regard to Holders and Sub-Trustee/Agents. Each Holder acting on its own behalf or acting in its capacity as 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). 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 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 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 Trustee in respect of such Trustee's compliance with the Plan and 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, 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 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 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 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 seek the approval of the Court to alter, amend, or modify this Plan 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: June 12, 2014

By: 
Theodore K. Nickel, Rehabilitator

EXHIBIT 1
PAYMENT GUIDELINES

EXHIBIT 2
LVM PAYMENT GUIDELINES