

LVM PAYMENT GUIDELINES FOR PLAN OF REHABILITATION, AS AMENDED

Date: June 12, 2014

Issued by
the Rehabilitator and the Special Deputy Commissioner
of the Segregated Account of Ambac Assurance Corporation

On March 24, 2010, the Circuit Court for Dane County, Wisconsin (the “Court”) entered a rehabilitation order (the “Rehabilitation Order”), granting the petition of the Commissioner of Insurance of the State of Wisconsin to place the Segregated Account of Ambac Assurance Corporation (the “Segregated Account”) into rehabilitation and to appoint the Commissioner as the Rehabilitator for the Segregated Account (the “Rehabilitator”). On January 24, 2011, the Court issued an order confirming the Plan of Rehabilitation for the Segregated Account, which became effective, following the Amendments, on the Effective Date.¹

The liabilities of AAC under financial guaranty policy no. 17548BE (the “LVM Policy”) have been allocated to the Segregated Account. However, unlike the majority of financial guaranty policies allocated to the Segregated Account, where a trustee or submitting agent is the Holder and submits a claim on behalf of all bondholders, each beneficial owner of an interest in the LVM Bonds (each, an “LVM Holder”) is the party responsible for the submission of a claim under the LVM Policy (an “LVM Policy Claim”) to the entity named as Insurance Trustee in the LVM Policy (the “Insurance Trustee”).

Given the unique nature of the LVM Policy and the claims procedure thereunder, the Rehabilitator wishes to clarify the procedure for the submission of LVM Policy Claims to the Segregated Account, and for the evaluation, processing, and partial payment of such LVM Policy Claims by the Segregated Account pursuant to the Plan. Accordingly, the Rehabilitator hereby issues the following rules, procedures, and guidelines (as may be amended, modified or supplemented from time to time pursuant to the terms hereof, the “LVM Payment Guidelines”). These LVM Payment Guidelines are being posted online at www.ambacpolicyholders.com, and shall be effective on the Effective Date.

These LVM Payment Guidelines 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 (the “2012 LVM Payment Rules”).

¹ Unless otherwise defined herein or in the Plan, capitalized terms used herein shall have the meanings specified in Exhibit A hereto. Such meanings shall be equally applicable to both the singular and plural forms of such terms, unless the context otherwise requires.

For the avoidance of doubt, nothing contained in these LVM Payment Guidelines replaces, amends or supplements any of the Payment Guidelines for Plan of Rehabilitation dated June 12, 2014 (the “Non-LVM Payment Guidelines”) insofar as they relate to any Policy or Policy Claim other than the LVM Policy and LVM Policy Claims. In particular and without limitation, the Non-LVM Payment Guidelines shall govern the submission, evaluation, processing and partial payment of any LVM Surety Bond Claim and nothing contained herein is, or shall be, applicable to an LVM Surety Bond Claim.

ARTICLE I

Submission and Processing of LVM Policy Claims

1.1 LVM Policy 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 LVM Policy 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 LVM Policy Claims in accordance with the Plan, these LVM 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.

1.2 Submission of LVM Policy Claims. Notwithstanding the provisions of the LVM Policy, the Segregated Account, the Rehabilitator and the Management Services Provider have agreed to unconditionally waive forever the requirement under the LVM Policy that each LVM Holder submit an LVM Policy Claim to the Insurance Trustee. Instead, each of the Rehabilitator, the Segregated Account and the Management Services Provider hereby agrees that an LVM Policy Claim shall be eligible to be a Pending LVM Policy Claim if the entity named as trustee for and on behalf of the LVM Holders under the Senior Indenture, dated as of September 1, 2000 by and between the Director of the State of Nevada Department of Business and Industry and Wells Fargo Bank, N.A. as trustee, as amended, supplemented or varied from time to time (the “LVM Trustee”), submits to the Management Services Provider (i) such LVM Policy Claim in accordance with, and including such information as is required by, the provisions of the LVM Policy and any other Transaction Document(s) giving rise to or governing the submission of such LVM Policy Claim, and (ii) a fully completed and duly executed Proof of LVM Policy Claim Form in the form attached to these LVM Payment Guidelines as Exhibit B relating to such LVM Policy Claim, including the Claim Schedule referred to therein.

Consistent with the foregoing, the LVM Trustee is hereby authorized to submit an LVM Policy Claim and Proof of LVM Policy Claim Form on behalf of each LVM Holder (other than AAC as the LVM Holder of the LVM Tendered Bonds) who, but for the provisions of these LVM Payment Guidelines, would be entitled to submit an LVM Policy Claim under the LVM Policy. No LVM Holder is permitted to submit an LVM Policy Claim and/or a Proof of LVM Policy Claim Form under these LVM Payment Guidelines, and any LVM Policy Claim so submitted by an LVM Holder shall be Disallowed in accordance with the procedure set forth in Section 3.1 hereof. For the avoidance of doubt, the LVM Trustee shall not submit any LVM

Policy Claims in respect of any LVM Bonds which were acquired by AAC pursuant to the LVM Tender and AAC shall not submit any LVM Policy Claims in respect of the LVM Tendered Bonds. Nor shall the LVM Trustee submit any LVM Policy Claim already submitted to the Management Services Provider in accordance with the 2012 LVM Payment Rules.

The LVM Trustee shall submit all LVM Policy Claims for the same Claim Period on one Proof of LVM Policy Claim Form (and Claim Schedule), and shall therein identify each Insured Obligation (by CUSIP, if any) to which each such LVM Policy Claim relates, as required by the Claim Schedule relating to such Proof of LVM Policy Claim Form. A separate Proof of LVM Policy Claim Form and Claim Schedule shall be submitted for all LVM Policy Claims for each Claim Period. Each such LVM Policy Claim submitted in accordance with this Section and Section 1.3, and meeting the requirements of Section 1.4 shall be referred to as a Pending LVM Policy Claim.

1.3 Timing for Submission of LVM Policy Claims. The LVM Trustee shall not submit an LVM Policy Claim any earlier than permitted under the LVM Policy or other Transaction Document giving rise to or governing the submission of such LVM Policy Claim; provided, however, that the LVM Trustee shall submit an LVM Policy Claim in a timely manner such that it is determined not to be a Late Claim.

1.4 Pending LVM Policy Claim. No LVM Policy Claim shall become a Pending LVM Policy Claim unless the LVM Trustee fully and properly complies with (i) the requirements of Sections 1.2 and 1.3 hereof, as applicable (ii) the requirements of the Proof of LVM Policy Claim Form (including the Claim Schedule referred to therein) with respect to such LVM Policy Claim, and (iii) any other guidelines or further directions issued by the Rehabilitator from time to time.

1.5 Eligibility of Pending LVM Policy Claims. No LVM Policy Claim shall be eligible to be considered a Permitted LVM Policy Claim on any Payment Date following the date of submission by the LVM Trustee (including the first Payment Date to occur after the Effective Date) unless it is a Pending LVM Policy Claim on or prior to 5:00 p.m. (Eastern Time) on the last Business Day of the calendar month immediately preceding the calendar month in which such Payment Date occurs, unless the Rehabilitator determines otherwise in his sole and absolute discretion.

1.6 Evaluation of Pending LVM Policy Claims. The Management Services Provider shall evaluate each Pending LVM Policy Claim to determine whether the amount set forth in the Proof of LVM Policy Claim Form is a Permitted LVM Policy Claim or whether an Objection should be raised as to such LVM Policy Claim in accordance with Section 3.1 hereof. The Management Services Provider may, from time to time, ask the LVM Trustee to supplement its Pending LVM Policy Claim with further supporting documentation in order to evaluate and decide whether to Permit such Pending LVM Policy Claim. Upon the determination by the Management Services Provider and the Rehabilitator that a Pending LVM Policy Claim constitutes a Permitted Claim, such LVM Policy Claim shall be considered a Permitted LVM Policy Claim.

1.7 No Re-Submission of LVM Policy Claims. Unless required or permitted by the Rehabilitator, the Segregated Account or the Management Services Provider, the LVM Trustee shall not submit an LVM Policy Claim to the Management Services Provider more than once or in more than one Proof of LVM Policy Claim Form, including without limitation, any LVM Policy Claim previously submitted by the LVM Trustee to the Management Services Provider or the Segregated Account in accordance with the 2012 LVM Payment Rules. For the avoidance of doubt, unless required by the Rehabilitator, the Segregated Account or the Management Services Provider, the LVM Trustee may not submit a subsequent Proof of LVM Policy Claim Form for any portion of a Permitted LVM Policy Claim not satisfied pursuant to any Payment, or for any Pending LVM Policy Claim, Disputed Claim, Late Claim or Disallowed Claim, or for any Policy Claim relating to the LVM Tendered Bonds.

1.8 No Duplicative Recovery. No LVM Holder of any securities insured by the LVM Policy shall be entitled to receive consideration (whether from any Payments, Recovery Amounts or other amounts received from any other source) on account of its Permitted LVM Policy Claim that exceeds 100% of the amount of such Permitted LVM Policy Claim, other than Accretion Amounts.

ARTICLE II

Payments on Permitted LVM Policy Claims

2.1 Interim Payments. The LVM Trustee shall receive an Interim Payment in respect of each Permitted LVM Policy Claim unless (i) the Court or the Rehabilitator (in his sole and absolute discretion) has permitted an Alternative Resolution of such Permitted LVM Policy Claim, or (ii) the LVM Trustee is deemed to have already received an Interim Payment in respect of such Permitted LVM Policy Claim pursuant to the 2012 LVM Payment Rules, as contemplated by Section 2.16 of these LVM Payment Guidelines.

2.2 Procedure for Interim Payments. If the Management Services Provider, the Rehabilitator or the Court has determined that a Pending LVM Policy Claim constitutes a Permitted LVM Policy Claim, the Segregated Account shall pay to the LVM Trustee (and not to the Insurance Trustee) an Interim Payment in Cash. Any Interim Payment in respect of a Permitted LVM Policy Claim shall be made on the first Payment Date occurring after the Determination Date by which it was determined to be a Permitted LVM Policy Claim. Such Interim Payment shall be paid by the Segregated Account to the account of the LVM Trustee identified in the Proof of LVM Policy Claim Form relating to such Permitted LVM Policy Claim; *provided that*, the LVM Trustee shall distribute such Interim Payment (solely in respect of Insured Obligations) in accordance with the provisions of the Transaction Documents relating to such LVM Policy. For the avoidance of doubt, notwithstanding the LVM Trustee's obligation to submit all LVM Policy Claims on one Proof of LVM Policy Claim Form and to identify therein each Insured Obligation (by CUSIP, if any) to which each such LVM Policy Claim relates (as applicable), as set forth in Section 1.2 hereof, on each Payment Date the Rehabilitator or the Segregated Account shall pay to the LVM Trustee a single aggregate Interim Payment for all Permitted LVM Policy Claims.

2.3 Increases to the Interim Payment Percentage. The Rehabilitator may increase the Interim Payment Percentage from time to time if, based on his 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 action is equitable to the interests of the Holders of Policy Claims and LVM Policy Claims generally. The Rehabilitator shall announce his intention to increase the Interim Payment Percentage by filing with the Court and posting on the Website an IPP Notice. The Rehabilitator shall determine the amount of any increase in the Interim Payment Percentage in his sole and absolute discretion, based on such analysis. In determining whether an increase in the Interim Payment Percentage is equitable to the interests of the Holders of Policy Claims and LVM Policy Claims generally, the Rehabilitator shall consider whether, in conjunction with any such increase, a Deferred Payment should be made under Section 2.7 of these LVM Payment Guidelines.

2.4 Deferred Amounts. Unless the Court or the Rehabilitator (in his sole and absolute discretion) has permitted an Alternative Resolution of an LVM Policy Claim, the Rehabilitator shall cause the Segregated Account to establish a Deferred Amount for each Insured Obligation insured by the LVM Policy in respect of which an Interim Payment has been made or has been deemed to be made pursuant to Section 2.16 of these LVM Payment Guidelines. With respect to each such Insured Obligation, the Deferred Amount shall be: (A) as of the Payment Date occurring after the first Interim Payment made or deemed made by the Segregated Account in respect of a Permitted LVM Policy Claim relating to such Insured Obligation, the higher of (i) the amount equal to the Permitted LVM Policy Claim Amount less the amount of any Payment and less any Recovery Amount, in each case established, paid or received with respect to such Insured Obligation since the immediately preceding Payment Date, and (ii) zero; and (B) as of each subsequent Payment Date, the higher of (i) amount equal to the Deferred Amount as of the immediately preceding Payment Date, plus any Accretion Amounts accrued since the immediately preceding Payment Date, plus any Permitted LVM Policy Claim Amount, less the amount of any Payment, less any Recovery Amount, and less any and all amounts which reduce the Deferred Amount pursuant to Sections 2.13, 3.2 and 3.3, in each case in this subparagraph (B)(i), as established, paid or received with respect to such Insured Obligation since the immediately preceding Payment Date, and (ii) zero.

2.5 Reconciliation of Deferred Loss Amounts. On a semi-annual basis, in accordance with the schedule set forth below, the Management Services Provider, on behalf of the Segregated Account and the Rehabilitator, and the LVM Trustee shall reconcile the Deferred Loss Amounts relating to Permitted LVM Policy Claims. Such reconciliations (each, a “Reconciliation”) shall be completed with respect to each Insured Obligation insured by the LVM Policy by CUSIP in respect of which there is an outstanding Deferred Amount.

Provided that the LVM Trustee has complied with any request of the Management Services Provider (as described below), the Management Services Provider shall complete each Reconciliation by delivering to the LVM Trustee, no later than April 1 and October 1 of each year following the Effective Date (or if any such day is not a Business Day, the first Business Day following such day), a Reconciliation Notice relating to each of the Insured Obligations under the LVM Policy by CUSIP, using personal delivery, first class mail or electronic mail, showing the Management Service Provider’s calculation, as of the relevant Reconciliation Date

(but excluding any Payments made on or after such Reconciliation Date), of the Deferred Loss Amounts relating to such Insured Obligation. The Reconciliation Date for Reconciliation Notices delivered no later than April 1 shall be January 20 (or, if any such Reconciliation Date is not a Business Day, the first Business Day immediately preceding such Reconciliation Date) of the same calendar year, and the Reconciliation Date for Reconciliation Notices delivered no later than October 1 shall be July 20 of the same calendar year (or if any such Reconciliation Date is not a Business Day, the first Business Day immediately preceding such Reconciliation Date); *provided, however*, that the first Reconciliation Date following the Effective Date of the Plan shall be July 20, 2014, or the first Payment Date thereafter specified by the Rehabilitator, whichever is later. Following delivery of each of the semi-annual Reconciliation Notices contemplated by this Section 2.5, and, as necessary, completion of any dispute resolution proceedings described below, the Rehabilitator will post to the Website a schedule showing all outstanding Deferred Amounts, including the aggregate of all unpaid and outstanding Accretion Amounts.

The Management Services Provider or the Rehabilitator may, from time to time, ask the LVM Trustee to promptly provide information and/or further supporting documentation in order to evaluate a Deferred Loss Amount and/or a Reconciliation and/or in order to assist the Management Services Provider in preparing a Reconciliation Notice. The LVM Trustee shall be required to deliver any such information and/or supporting documentation within the time frame specified for delivery of such information in the reasonable request made by the Management Services Provider or the Rehabilitator and Section 2.9 hereof shall apply if the LVM Trustee does not do so.

If the LVM Trustee wishes to dispute, for any reason, a Reconciliation Notice issued by the Management Services Provider, the LVM Trustee shall, no later than 45 days after delivery of such Reconciliation Notice (the “Opposition Period”), send to the Management Services Provider a written response to the Reconciliation Notice. Such written response (and any related written communications) shall be delivered by email to:

claimsprocessing@ambac.com

with a copy to:

claimsobjections@ambac.com.

The response must clearly set forth all facts and the legal basis, if any, for the opposition and the reasons why the Reconciliation Notice is incorrect. If no response is sent by the LVM Trustee within such Opposition Period, the Reconciliation shall be deemed final as of the relevant Reconciliation Date, and no further dispute resolution shall be permitted. If a response is submitted within such Opposition Period, the Rehabilitator shall resolve such dispute with the LVM Trustee in accordance with these LVM Payment Guidelines and communicate such resolution to the LVM Trustee in writing. Only in the event that a response is submitted within such Opposition Period by the LVM Trustee, and the Management Services Provider issues a written resolution against the LVM Trustee (a “Resolution”), shall the LVM Trustee have the right to file a motion with the Court asserting that the Reconciliation Notice is incorrect. Any such motion must be filed by the LVM Trustee no later than the 30th day after the delivery of such Resolution to the LVM Trustee. If no motion is filed by the 30th day after the delivery

of such Resolution to the LVM Trustee, the Reconciliation shall be deemed final as of the relevant Reconciliation Date and no further dispute resolution shall be permitted. If at any time, pursuant to this Section 2.5, the Reconciliation is deemed final and no further dispute resolution shall be permitted, the Management Services Provider and the Rehabilitator's calculation of the Deferred Loss Amount shall apply for the purposes of these LVM Payment Guidelines.

2.6 Allocation Schedules. To assist with the Reconciliation process contemplated by this Article 2, following the receipt by the LVM Trustee of any Payment in respect of a Permitted LVM Policy Claim under the Plan, the LVM Trustee shall, on or before the Allocation Schedule Deadline, submit to the Management Services Provider, by e-mail to claimsprocessing@ambac.com, a fully completed and duly executed Allocation Schedule in respect of the application of such Payment, in the form attached to the Proof of Policy Claim Form which is set forth in Exhibit B to these LVM Payment Guidelines.

2.7 Deferred Payments. The Rehabilitator may determine to make a Deferred Payment if, based on an 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 action is equitable to the interests of the Holders of Policy Claims and LVM Policy Claims generally. The Rehabilitator shall announce his intention to make a Deferred Payment, by filing with the Court and posting on the Website a Deferred Payment Notice. The Rehabilitator shall determine the Deferred Payment Percentage in connection with any such Deferred Payment in his sole and absolute discretion, based on such analysis. In determining whether a Deferred Payment is equitable to the interests of the Holders of Policy Claims and LVM Policy Claims generally, the Rehabilitator shall consider whether, in conjunction with any such Deferred Payment, among other things, the Interim Payment Percentage should be increased under Section 2.3 of these LVM Payment Guidelines. Deferred Payment Notices shall identify the Deferred Payment Percentage and the anticipated Deferred Payment Date for the Deferred Payment.

2.8 Deferred Payments under the Non-LVM Payment Guidelines. Whenever a Deferred Payment is made in accordance with the Non-LVM Payment Guidelines, a Deferred Payment shall be made in accordance with these LVM Payment Guidelines, using the same Deferred Payment Percentage. Similarly, whenever the Interim Payment Percentage is increased in accordance with the Non-LVM Payment Guidelines, the Interim Payment Percentage shall be increased by the same amount in accordance with these LVM Payment Guidelines.

2.9 Eligibility for Deferred Payments. The LVM Trustee shall not be eligible to receive a Deferred Payment announced by the Rehabilitator pursuant to these LVM Payment Guidelines until the later of the relevant Deferred Payment Date and the Payment Date following the first Determination Date on which (i) it and each LVM Holder of the Insured Obligation relating to such Permitted LVM Policy Claim are not in violation of the Plan, the Injunction, these LVM Payment Guidelines, or any other order of the Court relating to the Segregated Account, (ii) all Reconciliations of Deferred Loss Amounts relating to such Insured Obligation have been finally determined in accordance with these Payment Guidelines, and (iii) it has provided all information and supporting documentation reasonably requested by the Rehabilitator and the Management Services Provider pursuant to these LVM Payment Guidelines.

2.10 Procedure for Deferred Payments. For each LVM Holder eligible to receive a Deferred Payment announced by the Rehabilitator pursuant to Section 2.7, as determined by the Rehabilitator in his sole and absolute discretion, the Segregated Account shall, on or before the Deferred Payment Date, in satisfaction of its liabilities under the Permitted LVM Policy Claim (insofar as they relate to the portion of such Deferred Payment Amount attributable to the Deferred Loss Amount), pay the Deferred Payment relating to such Insured Obligation to the LVM Trustee or a Paying Agent, as applicable, in an amount equal to the product of (i) the Deferred Payment Percentage announced by the Rehabilitator and (ii) the sum of (y) the Deferred Loss Amount set forth in the most recent Reconciliation Notice (or, if the LVM Trustee has disputed a Reconciliation Notice in accordance with the procedures set forth in Section 2.5 of these LVM Payment Guidelines, the Deferred Loss Amount determined as a result of such dispute resolution procedures) and (z) the aggregate of all outstanding Accretion Amounts posted by the Rehabilitator to the Website pursuant to Section 2.5 of these LVM Payment Guidelines. The LVM Trustee shall, in accordance with the Transaction Documents as soon as reasonably practicable following the Deferred Payment Date on which the Deferred Payments were made, distribute to the LVM Holders all Deferred Payment Amounts (a) in respect of Deferred Loss Amounts, in accordance with the most recent Reconciliation Notice (or, if the LVM Trustee has disputed a Reconciliation Notice in accordance with the procedures set forth in Section 2.5 of these LVM Payment Guidelines, then in accordance with the result of such dispute resolution procedures), and (b) in respect of Accretion Amounts, in accordance with the written direction of the Management Services Provider, on behalf of the Rehabilitator. If any Accretion Amounts are paid to the LVM Trustee in its capacity as LVM Trustee, then the LVM Trustee shall establish a separate account solely for the purpose of paying Accretion Amounts and such amounts shall not be paid to or through any trust or REMIC to any LVM Holder.

2.11 Paying Agent Obligations. If, in accordance with the Plan, the Segregated Account has retained and elects to use (in the sole and absolute discretion of the Rehabilitator) a Paying Agent in connection with any Deferred Payment relating to an Insured Obligation, then the Paying Agent, unless otherwise directed by the Rehabilitator, shall: (i) on the Deferred Payment Date, distribute all Deferred Payment Amounts in respect of Deferred Loss Amounts relating to such Insured Obligation to the LVM Trustee using the account information provided in the most recent Proof of LVM Policy Claim Form, and the LVM Trustee shall then distribute such Deferred Loss Amounts to the LVM Holders of such Insured Obligations to which such Deferred Loss Amounts apply; and (ii) on or before the next occurring Payment Date relating to the relevant Insured Obligation, distribute any Deferred Payment Amounts in respect of Accretion Amounts directly to the then-current LVM Holders of the Insured Obligation via DTC or in such other manner that is reasonably available to the Paying Agent. The LVM Trustee shall permit, and provide any authorization, direction or special 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) contemplated by these LVM Payment Guidelines.

2.12 Reimbursements on LVM Policy Claims. Notwithstanding the Proceeding, any provisions of the Interim Cash Payment Rules or the 2012 LVM Payment Rules, the Plan, the Disclosure Statement and/or any amendments 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 LVM Policy and any related Transaction Documents; (ii) payments made according to the 2012 LVM 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 LVM Policy to the LVM Holder directly.

2.13 Recoveries on LVM Policy Claims. Notwithstanding the Proceeding, any provisions of the Interim Cash Payment Rules, the 2012 LVM Payment Rules, these LVM Payment Guidelines, the Plan, the Disclosure Statement and/or any amendments or supplements thereto, the Segregated Account shall be entitled, in the Rehabilitator's sole and absolute discretion, to reduce its obligations under the Plan to the LVM Trustee and the LVM Holders of Permitted LVM Policy Claims by any Recovery Amounts attributable to such LVM Holders and LVM Bonds, whether by (i) reducing the amount of any Payments to the LVM Trustee or the LVM Holders; or (ii) reducing the Deferred Amount(s) established for such LVM Holders in accordance with Section 2.4 of these LVM Payment Guidelines. No LVM Holder of a Permitted LVM Policy Claim or the LVM Trustee may apply a Recovery Amount in a manner inconsistent with the determination by the Segregated Account pursuant to this Section 2.13. The LVM Trustee shall maintain a written record (a copy of which shall be available to the Rehabilitator upon request) of all amounts paid by the Las Vegas Monorail Company in respect of the Chapter 11 Bonds.

2.14 Supplemental Payments. The Rehabilitator may, at any time, direct the Management Services Provider to make a Supplemental Payment to the LVM Trustee for the benefit of any LVM Holder of a Permitted LVM Policy Claim. Supplemental Payments may be made in one lump sum, or in varying proportions in certain months or time periods as appropriate, and may include, on a case-by-case basis, payments of all or a portion of any Deferred Amount. The Rehabilitator shall use his (sole and absolute) discretion to monitor and manage Supplemental Payments to maximize Reimbursement Amounts, and to minimize Supplemental Payments in excess of the available reimbursements.

2.15 Assignment of Rights. Without prejudice to (i) the terms and provisions of the LVM Policy and any related Transaction Document and (ii) any assignment previously executed, whether pursuant to a Proof of LVM Policy Claim Form or otherwise, upon receipt of any Payment or any other amount paid by or on behalf of the Segregated Account, each LVM Holder of such Permitted LVM Policy Claim shall be deemed to have assigned its rights relating to the amount of such Payment under the Transaction Document(s) to AAC.

2.16 Treatment of LVM Policy Claims Paid Prior to the Effective Date. On the Effective Date, each LVM Policy Claim paid pursuant to the 2012 LVM Payment Rules shall be deemed to be Permitted under the Plan, effective as of the date of such payment. In all respects, such LVM Policy Claim shall be treated in a manner consistent with the treatment of other Permitted LVM Policy Claims under the Plan. By way of example only, any payment made pursuant to the 2012 LVM Payment Rules (other than a Supplemental Payment) shall be deemed to have been an Interim Payment, and a Deferred Amount shall be established and calculated for

such Claim in accordance with Section 2.4 of these LVM Payment Guidelines, including Accretion Amounts commencing on the next Payment Date after which the first Interim Payment was deemed to be paid (regardless of whether or when such Deferred Amount is ultimately paid by a Deferred Payment, Supplemental Payment, or otherwise). In the event that the Interim Payment Percentage is greater than 25% on the Effective Date of the Plan, the Rehabilitator shall direct the Management Services Provider to make a Deferred Payment to the LVM Trustee for the benefit of each LVM Holder of an LVM Policy Claim who received an Interim Payment pursuant to the 2012 LVM Payment Rules, and who is eligible for such Deferred Payment pursuant to these LVM Payment Guidelines, based upon a Deferred Payment Percentage equal to (x) such Interim Payment Percentage in excess of 25%, divided by (y) 75%, with the Deferred Amount being calculated in accordance with Section 2.4 of these LVM Payment Guidelines. Any subsequent increases to the Interim Payment Percentage or any Deferred Payment for LVM Policy Claims paid pursuant to the 2012 LVM Payment Rules shall be made in accordance with Sections 2.3 and 2.7 of these LVM Payment Guidelines.

ARTICLE III

Claims Resolution Procedures

3.1 Disputed Claims. The Rehabilitator or the Management Services Provider may raise an Objection to any Pending LVM Policy Claim on any ground, including, but not limited to, the ground that the Rehabilitator or the Management Services Provider lacks sufficient information to evaluate such Pending LVM Policy Claim, that the amount submitted as an LVM Policy Claim is not valid, or that such LVM Policy Claim is a Duplicate Claim or a Late Claim, by providing the LVM Trustee or its representative (as applicable) with written notice of the substance of the Objection. The Rehabilitator or the Management Services Provider may, in their discretion, raise an Objection to all or any portion of a Pending LVM Policy Claim. No later than the sixtieth (60th) day after the delivery of such written notice of Objection to the LVM Trustee or its representative (the “Opposition Period”), the LVM Trustee, if it wishes to dispute such Objection, shall send to the Management Services Provider a written response to the Objection. Such written response (and any related written communications) shall be delivered by email to:

claimsprocessing@ambac.com

with a copy to:

claimsobjections@ambac.com

The response must clearly set forth all facts and the legal basis, if any, for the opposition and the reasons why the LVM Policy Claim should be a Permitted LVM Policy Claim. If no response is sent by the LVM Trustee within such Opposition Period, the LVM Policy Claim, or the portion in respect of which the Rehabilitator has raised an Objection, as applicable, shall become a Disallowed Claim without order of the Court and no further dispute resolution shall be permitted. If a response is submitted within such Opposition Period, the Rehabilitator shall resolve such dispute in accordance with these LVM Payment Guidelines (including by considering any excusable neglect, in the case of a Late Claim) and communicate such resolution to the LVM

Trustee in writing (a “Resolution”). Only in the event that a response is submitted within such Opposition Period by the LVM Trustee and the Rehabilitator issues a written Resolution that such Disputed Claim is fully or partially a Disallowed Claim, shall the LVM Trustee have the right to file a motion with the Court asserting that the Rehabilitator improperly disallowed all or any portion of such LVM Policy Claim. Any such motion must be filed by the LVM Trustee no later than the thirtieth (30th) day after the delivery of such Resolution to the LVM Trustee.

3.2 Setoffs. The Rehabilitator may set off in whole or in part against any Permitted LVM Policy Claim, any Payment, Deferred Amount, or any other amount established, paid or payable by or on behalf of the Segregated Account on account of such Permitted LVM Policy Claim all claims, rights, and causes of action of any nature that the Rehabilitator, AAC or the Segregated Account may have against the LVM Holder of such Permitted LVM Policy 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 LVM Policy Claim is Permitted under the 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.

3.3 Subsequent Adjustments. If the Rehabilitator or the Management Services Provider determines that any amount of the Cash received by the LVM Trustee as a Payment, a payment under the 2012 LVM Payment Rules, or any other amount paid by or on behalf of the Segregated Account was incorrect, the Rehabilitator or the Management Services Provider may, as necessary to account for such error: (i) recoup from the LVM Trustee 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 LVM Policy Claims; or (iii) reduce the LVM Holder’s then applicable Deferred Amount for the relevant Insured Obligation (each, a “Subsequent Adjustment”), by providing the LVM Trustee or its representative (as applicable) with a Subsequent Adjustment Notice. No later than the sixtieth (60th) day after the delivery of the Subsequent Adjustment Notice to the LVM Trustee or its representative (the “Opposition Period”), the LVM Trustee, if it wishes to dispute such Subsequent Adjustment, shall send to the Management Services Provider a written response to the Subsequent Adjustment Notice. Such written response (and any related written communications) shall be delivered by email to:

claimsprocessing@ambac.com

with a copy to:

claimsobjections@ambac.com

The response must clearly set forth all facts and the legal basis, if any, for the opposition to the Subsequent Adjustment. If no response is sent by the LVM Trustee or its representative within such Opposition Period, the Management Services Provider may make a Subsequent Adjustment and no further dispute resolution shall be permitted. If a response is submitted within such Opposition Period, the Rehabilitator shall resolve such dispute in accordance with these LVM Payment Guidelines and communicate such resolution to the LVM Trustee or its representative. Only in the event that a response has been submitted by the LVM Trustee or its representative

within such Opposition Period, and the Rehabilitator nevertheless determines that a Subsequent Adjustment is necessary (a “Resolution”), shall the LVM Trustee have the right to file a motion with the Court asserting that the Subsequent Adjustment was improper. Any such motion must be filed by the LVM Trustee or its representative no later than the thirtieth (30th) day after the delivery of the Resolution to the LVM Trustee or its representative.

3.4 Disputes Pending on the Effective Date. Any LVM Policy Claim disputes or objections that are pending on the Effective Date shall be resolved in accordance with the procedures set forth in the 2012 LVM Payment Rules; provided, however, that any motion asserting that the Rehabilitator improperly disallowed all or any portion of the LVM Policy Claim (as contemplated by the 2012 LVM Payment Rules) shall be filed on or before the date that is: (i) thirty (30) days after (ii) the later of (A) the Effective Date and (B) the date on which the Rehabilitator determined that the Disputed Claim was fully or partially a Disallowed Claim, or, if any such day is not a Business Day, the immediately following Business Day.

3.5 Disallowed Claims on or prior to the Effective Date. Any LVM Policy Claim which has been Disallowed on or prior to the Effective Date pursuant to the 2012 LVM Payment Rules shall be, and shall continue to be, Disallowed under these LVM Payment Guidelines.

ARTICLE IV

Miscellaneous

4.1 Governing Law. The rights and obligations arising under these LVM Payment Guidelines 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.

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

4.3 Retention of Jurisdiction. Following the Effective Date, the Court shall retain exclusive jurisdiction over the Proceeding in accordance with the Act to ensure that the purposes and intent of the Plan and these LVM Payment Guidelines are carried out. Without limiting the generality of the foregoing, and except as otherwise provided in the Plan or these LVM 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 LVM Policy 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 the Plan and these LVM 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 the Plan, these LVM Payment Guidelines, or in any order of the Court as may be necessary to implement the purposes and intent of the Plan and these LVM 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 the Plan or any documents related to the Plan;

I. to determine controversies, suits and disputes that may arise in connection with the interpretation, enforcement, or consummation of the Plan or these LVM Payment Guidelines;

J. to consider and act on the compromise and settlement of any LVM Policy Claim against or cause of action by or against the Segregated Account or in relation to the LVM Policy;

K. to determine such other matters or proceedings as may be provided for under the Act, the 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 the 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 the Plan or the Confirmation Order.

4.4 Immunity and Indemnity. The immunity and indemnity provisions in Sections 9.01 and 9.02 of the Plan are incorporated here in full by reference as if fully set forth.

4.5 Amendment and Modification of These LVM Payment Guidelines. Upon written notice by the Rehabilitator or his counsel to all parties included on the Court-approved electronic service list and a posting on the Website, these LVM Payment Guidelines may be supplemented, modified, altered or withdrawn in the Rehabilitator's discretion.

4.6 Implementation. The Rehabilitator and Management Services Provider shall take all steps, and execute all documents, necessary to effectuate the provisions of these LVM Payment Guidelines.

4.7 Limitation of Recovery. Other than in respect of Accretion Amounts, nothing in these LVM Payment Guidelines shall cause to inure to the benefit of any LVM Holder any greater right than that which would have existed were the Segregated Account not in rehabilitation.

4.8 Successors and Assigns. The rights, benefits, and obligations of any Person named or referred to in these LVM Payment Guidelines shall be binding upon, and shall inure to the benefit of, the heirs, executors, administrators, successors or assigns of such Person.

4.9 Inconsistency. With respect to making Payments on Permitted LVM Policy Claims, these LVM Payment Guidelines shall supersede any inconsistent provisions of the Plan, the 2012 LVM 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 LVM Policy Claims by the Segregated Account.

4.10 No Admissions. Notwithstanding anything herein to the contrary, nothing contained in these LVM Payment Guidelines shall be deemed an admission by any Person with respect to any matter set forth herein.

4.11 Notice. Except as otherwise specified herein, any notice permitted or required to be delivered by these LVM Payment Guidelines may be delivered personally, by mail or by e-mail. Any such notice shall be deemed to have been duly delivered on the date (i) on which such notice is personally delivered, (ii) falling two (2) Business Days after the mailing by first class mail, postage prepaid, or by express delivery service of such notice, or (iii) on which such notice is sent by electronic mail (with a delivery receipt received from the addressee), (A) in the case of the LVM Trustee, to the address or e-mail address specified in the Proof of LVM Policy Claim Form relating to the relevant LVM Policy Claim, (B) in the case of the Management Services Provider, unless otherwise specified herein, to Ambac Assurance Corporation, One State Street Plaza, New York, New York 10004, or in the case of electronic mail, claimsprocessing@ambac.com and any other e-mail address specified herein, and (C) in the case of the Rehabilitator and the Segregated Account, to the address advised to the parties by the Rehabilitator in writing from time to time.

4.12 Filing of Additional Documents. 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 these LVM Payment Guidelines.

4.13 Claims other than LVM Policy Claims. Nothing contained in these LVM Payment Guidelines contravenes any provisions of the Plan, any order of the Court or the Segregated Account Operational Documents relating to the submission, review, processing and/or payment of any Claims other than LVM Policy Claims. Submission, review, processing and/or payment of any Policy Claims other than LVM Policy Claims, or General Claims, remains subject to the Non-LVM Payment Guidelines, the provisions of the Plan, as well as the other orders of the Court.

4.14 Returned Payments. In the event that the LVM Trustee or an LVM Holder 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 LVM Policy Claim relating to such Payment shall be released and forever barred, except in the sole and absolute discretion of the Rehabilitator.

4.15 Terminated Trusts. Notwithstanding the terms of any Transaction Documents to the contrary, at no time throughout the effective duration of the Plan shall the LVM Trustee, or any other person, be permitted to terminate the trust or indenture relating to the LVM Policy, or to extinguish or retire, or cause to be extinguished, retired, or terminated, any Insured Obligation insured by the LVM 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 LVM Trustee shall, at its election, either (a) continue to serve as LVM 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 the LVM Trustee beyond those services necessary to effectuate the Plan, including, but not limited to, the effectuation of Recovery Amounts, Reimbursement Amounts, Reconciliations, Payments and Deferred Payments.