

In the Matter of the Rehabilitation of:

SEGREGATED ACCOUNT OF  
AMBAC ASSURANCE CORPORATION

Case No. 10 CV 1576  
Hon. Richard G. Niess

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**SECOND AMENDED PLAN OF REHABILITATION**

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September 22, 2017

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## TABLE OF CONTENTS

	<b>Page</b>
Article 1	DEFINITIONS.....1
Article 2	TREATMENT OF CLAIMS .....28
2.1	Administrative Claims .....28
2.2	Policy Claims .....28
2.3	SA SSNs and SA JSNs .....33
2.4	Junior Deferred Amounts.....34
2.5	General Claims.....34
Article 3	MEANS FOR IMPLEMENTATION OF PLAN .....34
3.1	Administration of this Plan .....34
3.2	Merger of the Segregated Account .....34
3.3	Initial Exchange .....35
3.4	Funding of Cash Distributions .....37
3.5	Transfer Provisions .....37
3.6	Transfers by Trustees.....38
3.7	Deemed Distribution Dates.....38
3.8	Post-Effective Date Policy Claim .....39
3.9	No Fractional Amounts.....39
Article 4	PROCEDURES GOVERNING DISTRIBUTIONS AND CLAIM RESOLUTION .....40
4.1	Claims Administration .....40
4.2	Administrative Claims .....40
4.3	Post-Effective Date Policy Claims and Pending Policy Claims .....41
4.4	Disputed Claims Process.....41
4.5	Alternative Resolutions of Claims .....42
4.6	Discharge of ACP Obligations.....42
4.7	No Duplicative Recovery.....42
4.8	Setoffs and Recoupment .....43
4.9	Recoveries on Policy Claims .....43
4.10	Reimbursements on Policy Claims .....43
4.11	Assignment of Rights.....44
4.12	Subsequent Adjustments.....45
Article 5	EFFECTIVENESS.....45
5.1	Notification of Effective Date.....45
5.2	Conditions Precedent to the Effective Date .....45
5.3	Waiver of Conditions Precedent .....46
5.4	Effect of Failure of Conditions to Effective Date.....47
Article 6	EFFECTS OF THIS SECOND AMENDED PLAN .....47
6.1	Prior Orders Remain in Effect .....47
6.2	Termination of Rehabilitation Proceeding.....48

**TABLE OF CONTENTS**  
**(cont.)**

	<b>Page</b>
6.3	Termination of Duties of the Rehabilitator and the Management Services Provider.....48
6.4	Segregated Account Operational Documents .....48
6.5	Discharge .....49
6.6	Releases.....49
6.7	Exculpation .....50
6.8	Discharge and Release Injunction.....51
6.9	Indemnification and Injunction With Regard to Holders and Sub-Trustee/Agents .....52
6.10	Preservation of Causes of Action.....54
6.11	Beneficiaries of Immunity and Indemnification .....55
6.12	Immunity and Indemnification .....55
6.13	No Defaults .....56
6.14	Actions Self-Effectuating.....57
Article 7	RETENTION OF JURISDICTION .....57
7.1	Retention of Jurisdiction .....57
Article 8	GENERAL PROVISIONS .....59
8.1	Governing Law .....59
8.2	Revocation or Withdrawal of this Plan .....59
8.3	Amendment and Modification of this Plan .....59
8.4	Limitation of Recovery .....60
8.5	Binding Effect.....60
8.6	Rules of Interpretation .....60
8.7	Implementation .....61
8.8	Inconsistency.....61
8.9	No Admissions.....61
8.10	Filing of Additional Documents .....62
8.11	Returned Distributions .....62
Exhibit 1	Payment Guidelines, as Amended
Exhibit 2	LVM Payment Guidelines, as Amended

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

## **INTRODUCTION TO PLAN**

This Second Amended Plan of Rehabilitation (the “**Plan**”) provides for the (i) satisfaction and discharge of all Deferred Amounts and related Claims, (ii) payment in full in cash of all Post-Effective Date Policy Claims, (iii) termination of the Operational Documents, (iv) termination of the Rehabilitation Proceeding of the Segregated Account, (v) merger of the Segregated Account back into the General Account and (vi) discharge and termination of the duties of the Rehabilitator and the Management Services Provider. 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, the Amended Payment Guidelines, or in the 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, shall have the meaning set forth in the Act.

1.1 **2011 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.

1.2 **2014 Amendments.** The amendments contained in the First Amended Plan dated June 12, 2014.

1.3 **2014 Approval Order.** The Final Order, dated June 11, 2014, approving the 2014 Amendments to the Original Plan.

1.4 **AAC.** Ambac Assurance Corporation.

1.5 **Accretion Amounts.** In respect of any Insured Obligation or any Permitted Claim which has a related Pre-Record Date Deferred Amount or Junior Deferred Amount outstanding, on any Bond Distribution Date on which such Pre-Record Date Deferred Amount or Junior Deferred Amount is to be calculated, accretion on such outstanding Pre-Record Date Deferred Amount or Junior Deferred Amount at the Accretion Rate to the Effective Date.

1.6 **Accretion Rate.** In respect of any Pre-Record Date 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 Pre-Record Date 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.

1.7 **ACP.** Ambac Credit Products, LLC.

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

1.9 **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 prior to the Effective Date, or OCI thereafter, in their 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 prior to the Effective Date, or OCI thereafter, in their 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).

1.10 **AFG.** Ambac Financial Group, Inc.

1.11 **Alternative Resolution.** The resolution of any Claim by the Claims Administrator 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 liability or agreement on alternative treatment, 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.

1.12 **Ambac Parties.** Ambac Assurance Corporation, Ambac Financial Group, Inc., and the Segregated Account.

1.13 **Amended Payment Guidelines.** The Amended Payment Guidelines (including any Amended LVM Payment Guidelines) to be issued by the Rehabilitator no later than October 1, 2017, which guidelines will be immediately effective and will apply to all Claims.

1.14 **Amended Proof of Policy Claim Form.** The form attached as an exhibit to the Amended Payment Guidelines, as such form may be amended and/or supplemented from time to time in the sole and absolute discretion of the Claims Administrator, to be used by the Holders of Policy Claims and Post-Effective Date Policy Claims to submit such claims to the Claims Administrator, whether prior to, or after, the Effective Date, and irrespective of any contrary requirement in any Policy.

1.15 **Approval Order.** The Decision approving this Plan, including any Findings of Fact and Conclusions of Law that may be required by the Rehabilitator in his sole and absolute discretion.

1.16 **Approval Order Date.** The date of the Approval Order.

1.17 **Beneficial Holder.** In respect of any Insured Obligation, the beneficial holder(s) of such Insured Obligation.

1.18 **Bond Distribution Date.** In respect of an Insured Obligation, the monthly date on which scheduled interest and/or principal payments are due, or would be due (absent any acceleration, termination, extinguishment or legal final maturity of such Insured Obligation), from the issuer of the relevant Insured Obligation to the Beneficial Holders of such Insured Obligation, or, if payment of scheduled interest and/or principal in relation to any such Insured Obligation is not or would not have been due on a monthly basis, each Distribution Date.

1.19 **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.



1.20 **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.

1.21 **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.

1.22 **Causes of Action.** Without limitation, any and all claims, rights, actions, demands, proceedings, causes of action, liabilities, obligations, suits, debts, remedies, dues, sums of money, accounts, defenses, affirmative defenses, rights of setoff, offset, powers, privileges, licenses, franchises, third-party claims, counterclaims, cross-claims, actions for declaratory or injunctive relief, suits and other rights of recovery, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages or judgments against or with respect to any Entity or property, wherever located, of any nature whatsoever, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, foreseen or unforeseen, asserted or unasserted or pending as of the Effective Date, whether direct, indirect, derivative or on any other basis, whether existing or hereafter arising, whether arising in whole or in part from the terms of the Plan or the Original Plan, whether arising in whole or in part prior to, on or after the Petition Date, based in whole or in part upon any act or omission or other event occurring prior to the date of the Petition Date or during the course of the Proceeding or thereafter, in contract or in tort, at law or in equity, whether pursuant to any federal, state, local, statutory or common law or any other law, rule or regulation, or under any

theory of law or equity, including any available: (i) rights of setoff, counterclaim, recoupment, replevin or reclamation, or claims on contracts or for breaches of duties imposed by law, and (ii) claims, causes of action or defenses against any Entity including for intentional or negligent misrepresentation, fraud, mistake, duress and usury, breach of fiduciary duty, malpractice, negligence, breach of contract, wrongful distribution, aiding and abetting or inducement.

1.23 **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, that arises prior to the Effective Date.

1.24 **Claim Requirements.** The requirements applicable to the filing and validity of Claims as set forth in the First Amended Plan, the Payment Guidelines, this Plan, and the Amended Payment Guidelines, as applicable. For the avoidance of doubt, all Claims not otherwise adjudicated, resolved, settled, Permitted, or Disallowed pursuant to the Payment Guidelines by the Rehabilitator or the Management Services Provider prior to the issuance of the Amended Payment Guidelines, shall be adjudicated, resolved, settled, Permitted, or Disallowed pursuant to the Amended Payment Guidelines.

1.25 **Claim Schedule.** The Schedule attached to the Proof of Policy Claim Form or the Amended Proof of Policy Claim Form, as applicable, which shall include detailed information about the relevant Policy Claim and Post-Effective Date Policy Claim.

1.26 **Claims Administrator.** Prior to the Effective Date: The Management Services Provider, as may be provided by the First Amended Plan, the Payment Guidelines, and the Amended Payment Guidelines. From and after the Effective Date: AAC.

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

1.28 **Consensual Transaction.** The Transaction.

1.29 **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.

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

1.31 **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.

1.32 **Deferred Amount.** Pre-Record Date Deferred Amounts and Post-Record Date Deferred Amounts.

1.33 **Definitive Documents.** The Rehabilitation Exit Support Agreement dated July 19, 2017, attached to the Disclosure Statement as Exhibit C, the Secured Note Indenture, attached to the RESA, and the Waiver and Amendment to Settlement Agreement, attached to the RESA.

1.34 **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 Claims Administrator, or as may otherwise be defined in the Amended Payment Guidelines.

1.35 **Disallowed Claim.** A Claim that has been determined by the Claims Administrator to constitute a Duplicate Claim or a Late Claim, or that the Claims Administrator has otherwise determined should not be Permitted, in each case in accordance with the provisions of the Payment Guidelines or the Amended Payment Guidelines, as the case may be.

1.36 **Disclosure Statement.** The joint Disclosure Statement Accompanying this Plan filed with the Court and dated September 22, 2017, as amended, modified or supplemented from time to time.

1.37 **Disputed Claim.** A Claim as to which an Objection has been raised by the Claims Administrator pursuant to the terms hereof, the Payment Guidelines, or the Amended Payment Guidelines, that has not been released, satisfied, resolved, terminated, commuted or otherwise extinguished or become a Permitted Claim or a Disallowed Claim.

1.38 **Distribution.** A payment made by or on behalf of the Segregated Account, in accordance with this Plan, the First Amended Plan, the Payment Guidelines, the Amended Payment Guidelines, an order of the Court, or pursuant to the direction of the Special Deputy Commissioner, on account of Deferred Amounts or Permitted Claims, including, but not limited to, Cash, Senior Secured Notes, SA SSNs, SA JSNs, Interim Payments, Supplemental Payments, Deferred Payments (as defined in the Payment

Guidelines), Junior Deferred Payments (as defined in the Payment Guidelines), Special Policy Payments and/or payments made (as applicable) in conjunction with an Alternative Resolution, as well as any transfer of Pre-Record Date Deferred Amount Consideration by AAC or the Segregated Account in respect of a Pre-Record Date Deferred Amount received by AFG or a Sponsoring Holder in the Initial Exchange pursuant to Section 3.3(c) herein. For the avoidance of doubt, the term Distribution does not include securities transferred by AFG or a Sponsoring Holder pursuant to the Initial Exchange.

1.39     **Distribution Date.** The date during each month on which Policy Claims, arising before the Effective Date, and which have been Permitted by the Claims Administrator on the immediately preceding Determination Date, are scheduled to be paid in accordance with the Payment Guidelines or the Amended Payment Guidelines, as applicable. The Distribution 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), or such other date as may be defined in the Amended Payment Guidelines; *provided that* all Distributions of the Pre-Record Date Deferred Amount Consideration to be distributed pursuant to this Plan and the Amended Payment Guidelines shall be completed on the Effective Date or as soon as reasonably practicable following the Effective Date.

1.40     **DTC.** The Depository Trust Company, a clearing agency registered with the Securities and Exchange Commission or any successor entity thereto.

1.41     **Duplicate Claim.** Any Claim with respect to which the Claims Administrator, has determined, in its 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.

1.42 **Effective Date.** The date on which this Plan shall be effective, as determined and announced by the Rehabilitator, in accordance with Article 5 of this Plan.

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

1.44 **Exchange Offers.** Those certain voluntary exchange offers to be effectuated concurrently with the effectiveness of this Plan whereby (i) AAC shall offer to the Sponsoring Holders securities entitling the beneficial holders of such securities to Pre-Record Date Deferred Amounts in exchange for an equal amount of GA SSNs (including principal amount and accrued and unpaid interest), (ii) AAC shall offer to purchase 65.7% of all GA SSNs (including principal amount and accrued and unpaid interest) held by the Sponsoring Holders in exchange for consideration comprised of (x) 45.7% Cash and (y) 46.9 % in principal amount of Senior Secured Notes representing a discount of 7.4% to the total amount of all such GA SSNs (including principal amount and accrued and unpaid interest); and (iii) AAC shall offer to purchase 87.5% of all GA SSNs (including principal amount and accrued and unpaid interest) held by Entities other than the Sponsoring Holders in exchange for consideration comprised of (x) 45.7% Cash and (y) 46.9% in principal

amount of Senior Secured Notes representing a discount of 7.4% to the total amount of all such GA SSNs (including principal amount and accrued and unpaid interest).<sup>1</sup>

1.45 **Exculpated Parties.** (i) The Ambac Parties, (ii) the Rehabilitator, (iii) the Management Services Provider, (iv) the Special Deputy Commissioner, (vi) OCI, (vii) the Sponsoring Holders, and each of their respective current and former members, shareholders, affiliates, officers, directors, employees, attorneys, agents, advisors and representatives.

1.46 **Final Order.** An order or judgment entered by a 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.

1.47 **Final Post-Record Date Payment.** With respect to any Permitted Post-Record Date Policy Claim, payment of Cash in the amount of the Post-Record Date Deferred Amount, less any Recovery Amounts received in respect of the Insured Obligation to which such Post-Record Date Policy Claim relates and which have not otherwise reduced the Post-Record Date Deferred Amount in respect of such Insured Obligation.

1.48 **First Amended Plan.** The Original Plan and all supplements and Exhibits thereto, as amended by the 2014 Amendments.

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<sup>1</sup> Upon consummation of the Exchange Offers, consummation of the Initial Exchange pursuant to this Plan, and the payment of the Deferred Amount Consideration pursuant to this Plan, the Holders of Deferred Amounts and GA SSNs, respectively, will have received, on account of such Pre-Record Date Deferred Amounts and GA SSNs, (with accretion until the Effective Date), an effective consideration package of (i) 40% Cash, (ii) 41% Senior Secured Notes, (iii) 12.5% Remaining Senior Surplus Notes, and (iv) a 6.5% discount.

1.49 **GA Surplus Notes or GA SSNs.** The 5.1% surplus notes issued by the General Account on June 7, 2010 and scheduled to mature on June 7, 2020.

1.50 **General Account.** The general account of AAC.

1.51 **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.

1.52 **Holder.** Any Entity (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 any trustee submitting claims in accordance with the Amended Payment Guidelines or the Payment Guidelines, (ii) a Deferred Amount, (iii) a Junior Deferred Amount, or (iv) a SA SSN.

1.53 **Indemnified Party.** Any Holder acting in its capacity as Trustee or Sub-Trustee/Agent and any Paying Agent retained by AAC.

1.54 **Initial Exchange.** The transfer required by this Plan of beneficial interests in Pre-Record Date Deferred Amounts estimated in the aggregated amount of \$282 million representing 12.5% of all Pre-Record Date Deferred Amounts from Non-Ambac Holders, on a pro rata basis, (i) to AFG in exchange for the transfer by AFG to such Non-Ambac Holders (on a pro rata basis) of GA SSNs in an estimated aggregated amount of \$129 million equal to (x) all GA SSNs and SA SSNs held by AFG as of the Record Date less (y) \$100 million, and less (z) unpaid interest on \$100 million of GA SSNs and SA



SSNs accrued between June 30, 2017 and the Effective Date and (ii) to the Sponsoring Holders in exchange for the transfer by the Sponsoring Holders to such Non-Ambac Holders (on a pro rata basis) of GA SSNs in an estimated aggregate amount, as of the Effective Date, of \$153 million equal to 12.5% of all Pre-Record Date Deferred Amounts held by Non-Ambac Holders of Pre-Record Date Deferred Amounts, less the amount specified in (i) above.

1.55     **Injunction.** The Order for Temporary Injunctive Relief entered by the Court on March 24, 2010, made permanent by the 2011 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.

1.56     **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.

1.57     **Interim Cash Payment Rules.** The rules governing the submission, processing and payment of Policy Claims of the Segregated Account in accordance with the June 4, 2012 Interim Cash Payment Order, filed with the Court and effective August 1, 2012, together with any amendments or supplements thereto.

1.58     **Interim Payment.** With respect to each Policy Claim determined to be a Permitted Policy Claim, and which is based on events, occurrences, and circumstances, occurring or existing prior to the Effective Date, the payment of the amount equal to the

then applicable Interim Payment Percentage (as defined in the Payment Guidelines or the Amended Payment Guidelines, as applicable) of the amount of a Permitted Policy Claim, made in accordance with the Payment Guidelines or the Amended Payment Guidelines, as applicable.

1.59 **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.

1.60 **Late Claim.** Any Claim determined pursuant to the procedure set forth in the Payment Guidelines or the Amended Payment Guidelines, as applicable, to not have been submitted in compliance with the Claim Requirements (i) with respect to Pre-Record Date Policy Claims, by the earlier of (x) November 30, 2017 or (y) the date that such Claim would be a “Late Claim” pursuant to the First Amended Plan and the Payment Guidelines, or (ii) with respect to Post-Record Date Policy Claims, 120 days following 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. Any Claim that, on or before the date of the issuance of the Amended Payment Guidelines would be a “Late Claim” pursuant to the terms of the Payment Guidelines, shall be a Late Claim under this Plan and the Amended Payment Guidelines. For the avoidance of doubt, the earliest date on which a Claim may be submitted to the Claims Administrator for consideration as a Permitted Claim is the earlier of (x) the Bond Distribution Date and (y) the date that the right to payment arises under the Insured Obligation that gives rise to a Claim.

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

1.62 **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.

1.63 **Management Services Provider.** AAC or any successor Management Services Provider under the Management Services Agreement.

1.64 **Merger.** The merger of the Segregated Account and AAC provided by Section 3.2 hereof.

1.65 **Non-Ambac Holders.** Beneficial Holders of Pre-Record Date Deferred Amounts or GA SSNs, as applicable, other than AAC or AFG.

1.66 **Objection.** Any dispute or objection with respect to a Claim, as contemplated by the Payment Guidelines or the Amended Payment Guidelines.

1.67 **OCI.** The Office of the Commissioner of Insurance of the State of Wisconsin.

1.68 **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, but excluding any tax sharing agreements or cost-allocation agreements.

1.69 **Original Plan.** The Plan of Rehabilitation for the Segregated Account dated October 8, 2010, and all supplements and Exhibits thereto.

1.70 **Paying Agent.** Any paying agent retained by the Claims Administrator on or after the Effective Date, in the sole and absolute discretion of the Claims Administrator for the purpose of making any Distributions in accordance with the Amended Payment Guidelines.

1.71 **Payment Guidelines.** The Payment Guidelines issued by the Rehabilitator dated June 12, 2014 and the LVM Payment Guidelines issued by the Rehabilitator dated June 12, 2014.

1.72 **Pending / Pending Claim.** Claims submitted prior to the Effective Date in accordance with all of the requirements of the First Amended Plan and the Payment Guidelines, or in accordance with this Plan and the Amended Payment Guidelines, as applicable, which are under evaluation by the Claims Administrator and have not yet become a Permitted Claim, a Disputed Claim, or a Disallowed Claim.

1.73 **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 the First Amended Plan and the Payment Guidelines, or this Plan and the Amended Payment Guidelines, to the extent determined by the Claims Administrator 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 other than Accretion Amounts, (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 Claims Administrator, as applicable, 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 the Plan, the Injunction, the Payment Guidelines, the Amended Payment Guidelines, or any other order of the Court relating to the Segregated Account.

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

1.75      **Plan.** This Second Amended Plan of Rehabilitation for the Segregated Account dated September 22, 2017 and all supplements and Exhibits hereto, and as the same may be further amended or modified as set forth herein and in accordance with the Act. All references to the “Plan” used herein are to this Second Amended Plan.

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

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

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

1.79 **Post-Effective Date Policy Claims.** Any Policy Claims based on events, occurrences, and circumstances occurring or existing, on or after the Effective Date.

1.80 **Post-Record Date Deferred Amount.** With respect to each Insured Obligation (identified by its CUSIP, if any) in respect of which a Post-Record Date Policy Claim has been Permitted, and an Interim Payment made, the amount calculated as a Deferred Amount pursuant to the procedure set forth in the Amended Payment Guidelines. Post-Record Date Deferred Amounts are not entitled to any accretion during the Post-Record Date Period.

1.81 **Post-Record Date Period.** The period of time from and after the Record Date through and including one business day immediately preceding the Effective Date.

1.82 **Post-Record Date Policy Claims.** Any Policy Claims based on events, occurrences, and circumstances occurring or existing during the Post-Record Date Period.

1.83 **Pre-Record Date Deferred Amount.** With respect to each Insured Obligation (identified by its CUSIP, if any) in respect of which a Pre-Record Date Policy Claim has been Permitted and/or established by the Segregated Account, and an Interim Payment made, the amount calculated as a Deferred Amount pursuant to the procedures set forth in the Payment Guidelines or the Amended Payment Guidelines, as applicable, in respect of Permitted Policy Claims based on events, occurrences and circumstances occurring or existing prior to the Record Date (x) including any and all Accretion Amounts and (y) less any Recovery Amounts received up to and including the Effective Date in respect of such Insured Obligation and which have not otherwise previously reduced the Pre-Record Date Deferred Amount in respect of such Insured Obligation.

1.84 **Pre-Record Date Deferred Amount Consideration.** The Cash and Senior Secured Notes to be distributed to Holders of Pre-Record Date Deferred Amounts pursuant to Section 2.2 of this Plan.

1.85 **Eligibility Distribution Record Date.** A date to be set by the Rehabilitator in his sole discretion; *provided that* that such date is intended to be as close as reasonably practicable to the Effective Date, but shall be no later than one business day prior to the Effective Date.

1.86 **Pre-Record Date Deferred Amount Discount.** This term has the meaning given it in Section 2.2(a)(iii) of this Plan.

1.87 **Pre-Record Date Deferred Loss Amount.** With respect to each Insured Obligation in respect of which a Pre-Record Date Policy Claim has been Permitted and an

Interim Payment made or deemed to be made, the Pre-Record Date Deferred Amount excluding the aggregate of all Accretion Amounts relating to such Insured Obligation.

1.88 **Pre-Record Date Policy Claims.** Any Policy Claims based on events, occurrences, and circumstances, occurring, or existing, before the Record Date.

1.89 **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.

1.90 **Proceeding Circumstances.** The circumstances and events, whenever arising, giving rise to the Proceeding or in existence from and after, or giving rise to or at any time resulting from, issuance of the Rehabilitation Order, including, without limitation, (i) the financial condition of the Ambac Parties, (ii) the grounds for the Proceeding, (iii) actions taken or statements made by the Ambac Parties, the Rehabilitator, the Management Services Provider, the Special Deputy Commissioner, OCI, or any other Person, in connection with or in contemplation of the Rehabilitation Order or the Proceeding, (iv) any ratings downgrade of the Ambac Parties, (v) any failure by the Ambac Parties to pay any amount (whether due prior to the Rehabilitation Order, the injunctive relief in the 2011 Confirmation Order, the 2014 Approval Order, this Plan, or otherwise) and (vi) the issuance and existence of the Rehabilitation Order.

1.91 **Record Date.** September 30, 2017.

1.92 **Recovery Amount.** Shall have the meaning set forth in the Payment Guidelines or the Amended Payment Guidelines, as applicable.



1.93     **Rehabilitation Exit Support Agreement (“RESA”).** The agreement dated July 19, 2017 between each of the Ambac Parties and the Sponsoring Holders (including any other “Joining Parties” (as defined in the Rehabilitation Exit Support Agreement) that have become parties to the Rehabilitation Exit Support Agreement after July 19, 2017), as amended, that sets forth the terms and conditions of the Sponsoring Holders’ agreement to support this Plan and the Segregated Account’s exit from the Proceeding.

1.94     **Rehabilitation Order.** The Order for Rehabilitation entered in the Proceeding, dated March 24, 2010.

1.95     **Rehabilitator.** The Commissioner, as the Court-appointed rehabilitator of the Segregated Account.

1.96     **Reimbursement Amount.** Shall have the meaning set forth in the Payment Guidelines or the Amended Payment Guidelines, as applicable.

1.97     **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.

1.98     **Released Parties.** (i) AAC, (ii) the Segregated Account, (iii) the Rehabilitator, (iv) the Management Services Provider, (v) the Special Deputy Commissioner, (vi) OCI, (vii) the General Account, (viii) 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, 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)).

1.99 **Releasing Parties.** All Holders of, and Beneficial Holders of Insured Obligations in respect of, Deferred Amounts.

1.100 **Remaining Senior Surplus Notes.** Any and all GA SSNs or SA SSNs that remain outstanding after the Effective Date.

1.101 **REMIC Matters.** Matters related to the federal income tax treatment of a REMIC, as defined in Section 860D of the Internal Revenue Code of 1986, as amended.

1.102 **RMBS Litigation.** Those certain lawsuits to which AAC and/or the Segregated Account are parties involving residential mortgage backed securities transactions insured by policies allocated to the Segregated Account, captioned: *Ambac Assurance Corp. v. Countrywide Home Loans, Inc.*, Index No. 651612/2010 ( N.Y. Sup. Ct. N.Y. Cty.) (Bransten, J.); *Ambac Assurance Corp. v. First Franklin Fin. Corp.*, Index No. 651217/2012 (N.Y. Sup. Ct. N.Y. Cty.) (Sherwood, J.); *Ambac Assurance Corp. v. Nomura Credit & Capital, Inc.*, Index No. 651359/2013 (N.Y. Sup. Ct. N.Y. Cty.) (Friedman, J.); *Ambac Assurance Corp. v. Countrywide Home Loans, Inc.*, Index No. 653979/2014 (N.Y. Sup. Ct. N.Y. Cty.) (Friedman, J.); *Segregated Account of Ambac Assurance Corp. v. Countrywide Home Loans, Inc.*, No. 14 CV 3511 (Wis. Cir. Ct. Dane Cty.) (Anderson, J.); and *Ambac Assurance Corp. v. Countrywide Home Loans, Inc.*, Index No. 652321/2015

(N.Y. Sup. Ct. N.Y. Cty.) (Friedman, J.); and any successor proceeding against the same parties (or any of their successors) with respect to substantially the same claims.

1.103 **SA JSNs.** The 5.1% junior surplus notes due June 7, 2020, originally issued by the Segregated Account to holders of Permitted General Claims and AFG.

1.104 **SA Surplus Notes or SA SSNs.** The 5.1% senior surplus notes due June 7, 2020, issued by the Segregated Account to holders of Permitted Policy Claims.

1.105 **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.

1.106 **Securities Act.** The Securities Act of 1933, 15 U.S.C. §§ 77a-77aa (as amended from time to time).

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

1.108 **Senior Secured Notes.** The Senior Secured Notes, due on the fifth anniversary of the Effective Date, to be issued by a newly formed special purpose entity which is expected to be a liquidating entity and wholly owned by an affiliate of AFG, at the request of, and in satisfaction of certain Reinsurance Agreement obligations owed to the Segregated Account, to Beneficial Holders in respect of Pre-Record Date Deferred Amounts and Accretion Amounts as a component of the Pre-Record Date Deferred Amount Consideration, and to holders of GA SSNs in connection with the Exchange Offers. Ambac shall issue a financial guarantee policy for the benefit of the trustee of the

Senior Secured Notes, irrevocably guaranteeing all regularly scheduled principal and interest and principal and interest payable in connection with mandatory redemptions.

1.109 **Special Deputy Commissioner.** The Special Deputy Commissioner of the Segregated Account.

1.110 **Special Policy Payment.** This term shall have the meaning given to such term in the Payment Guidelines.

1.111 **Sponsoring Holders.** The parties who are signatories to the Rehabilitation Exit Support Agreement (including any other “Joining Parties” (as defined in the Rehabilitation Exit Support Agreement) that have become parties to the Rehabilitation Exit Support Agreement after July 19, 2017) other than AAC and AFG.

1.112 **Sub-Trustee/Agent.** Any 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.

1.113 **Subsequent Adjustments.** Means (i) a recoupment from the Holder of a Permitted Claim of all or a portion of the amount of a Distribution; or (ii) reduction of such Holder’s applicable Deferred Amount, in each case, to the extent the Claims Administrator may make Subsequent Adjustments if it determines, in its sole discretion, that any Distribution received by such Holder was incorrect.

1.114 **Supplemental Payment.** This term shall have the meaning given to such term in the Payment Guidelines and the Amended Payment Guidelines, as applicable.

1.115 **Synthetic Commutation.** A type of Alternative Resolution concerning Policy Claims arising out of Policies insuring securities that are held by multiple Beneficial Holders whereby the Rehabilitator or AAC is unable to reach a universal settlement with all Beneficial Holders of such securities and, instead, settles Policy Claims held by certain (rather than all) Beneficial Holders of such securities, as further described in that certain *Order Confirming Procedures for Resolving Alternative Resolutions Including Synthetic Commutations*, dated August 31, 2011.

1.116 **Third Party Liability.** 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 an Indemnified Party's compliance with this Plan, the Approval Order, the First Amended Plan, the 2014 Approval Order, the Original Plan, the 2011 Confirmation Order, and the Payment Guidelines and the Amended Payment Guidelines (excluding losses and costs resulting from the fraud, gross negligence or other willful misconduct of such Indemnified Party, provided, however, that for purposes of any indemnity under this Plan, compliance with this Plan and the Payment Guidelines shall not be deemed to constitute fraud, gross negligence, or willful misconduct).

1.117 **Transaction.** The Exchange Offers, together with the Initial Exchange.

1.118 **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, and Juneau Investments.

1.119 **Transaction Mechanics.** The various steps and transactions that constitute the Initial Exchange and the Exchange Offers detailed in the transaction mechanics presentation annexed to the Rehabilitation Exit Support Agreement as Exhibit B.

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

1.121 **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.

1.122 **Waiver and Amendment to Settlement Agreement.** That certain waiver and amendment to be dated the Effective Date to that certain bank settlement agreement dated June 7, 2010 by and between AAC, ACP, Ambac Financial Group, Inc., and the other parties thereto.

1.123 **Website.** The website established by the Rehabilitator for policyholders at [www.ambacpolicyholders.com](http://www.ambacpolicyholders.com), which makes available for viewing and download the

key documents described herein and in the Disclosure Statement, including, but not limited to, this Plan, the First Amended Plan, and the Segregated Account Operational Documents.

1.124 **Wis. Stat.** The Wisconsin Statutes (2015-16), as amended.

## **ARTICLE 2 TREATMENT OF CLAIMS**

2.1 **Administrative Claims.** Each Holder of a Permitted Administrative Claim outstanding on the Effective Date and not previously the subject of an Alternative Resolution, shall receive, in full satisfaction of such Permitted Administrative Claim, on the Effective Date, Cash equal to the amount of such Permitted Administrative Claim, in accordance with the procedures set forth in Section 4.2 below and, as applicable, the Amended Payment Guidelines.

### 2.2 **Policy Claims.**

(a) **Satisfaction in Full of Pre-Record Date Deferred Amounts with Pre-Record Date Deferred Amount Consideration.**

(i) **Treatment of Holders Other than AFG.** Each Holder of a Pre-Record Date Deferred Amount (other than AFG) after consummation of the Initial Exchange and the Exchange Offers, shall be entitled to receive, in full and final satisfaction of such Pre-Record Date Deferred Amount (x) Cash equal to 45.7% of such Pre-Record Date Deferred Amount, and (y) Senior Secured Notes in an amount equal to 46.9% of such Pre-Record Date Deferred Amount, ((x) and (y), collectively, being referred to herein as “**Pre-Record Date Deferred Amount Consideration**”). Subject to Section 3.3(c) of this Plan, such payment of Pre-Record Date Deferred Amount Consideration, as provided herein, shall constitute full and complete payment and

settlement of such Pre-Record Date Deferred Amount and any related Accretion Amount. Each Holder of a Pre-Record Date Deferred Amount (other than AFG) and each Beneficial Holder of any Insured Obligation related to a Pre-Record Date Deferred Amount shall, after consummation of the Initial Exchange and the Exchange Offers, be required to accept the Pre-Record Date Deferred Amount Consideration issued to such Holder in accordance with this Plan, in lieu of any cash payments required to be made to such holders, in full and complete satisfaction of such cash payment obligation of the Segregated Account in respect of the Permitted Policy Claim allowed to such holders (which relates to the relevant Pre-Record Date Deferred Amount), regardless of the existence of any provision in any Policy, the 2011 Plan, the First Amended Plan, or any other underlying instrument(s) or contract(s) that would require, or that contemplates, the discharge of the obligations of the Segregated Account through the payment of Cash. AAC may, subject to the Rehabilitator's approval, in lieu of the Pre-Record Date Deferred Amount Consideration allocated to a Holder, provide an alternative consideration package to such Pre-Record Date Deferred Amount Consideration, in an amount equal to such Pre-Record Date Deferred Amount Consideration, to the extent that AAC determines, in its sole discretion, that doing so is necessary or advisable to maintain compliance with any legal or regulatory requirements applicable to AAC or the Segregated Account.

(ii) **Treatment of AFG.** AFG, shall be entitled to receive, in full and final satisfaction of any Pre-Record Date Deferred Amounts that it holds or to which it is beneficially entitled (including any Pre-Record Date Deferred Amounts received by AFG pursuant to the Initial Exchange) after consummation of the Initial Exchange and the



Exchange Offers, Senior Secured Notes in an amount equal to 91.3% of such Pre-Record Date Deferred Amounts. Subject to Section 3.3(c) of this Plan, such payment of Senior Secured Notes to AFG shall constitute full and complete payment, discharge and settlement of such Pre-Record Date Deferred Amount and Accretion Amounts held by AFG (or beneficial interests to which it is entitled) and AFG shall be required to accept such payment of Senior Secured Notes in accordance with this Plan in lieu of any cash payments required to be made to AFG in full and complete satisfaction of any cash payment obligation relating to any Pre-Record Date Deferred Amounts and Accretion Amounts owed to AFG by the Segregated Account.

(iii) **Application of Pre-Record Date Deferred Amount Discount.**

The remaining 7.4% of all Pre-Record Date Deferred Amounts and Accretion Amounts not held by AFG and 8.7% of Pre-Record Date Deferred Amounts and Accretion Amounts held by AFG shall be deemed satisfied and shall be discharged in full without further consideration (the “**Pre-Record Date Deferred Amount Discount**”). With respect to each Pre-Record Date Deferred Amount, the Pre-Record Date Deferred Amount Discount shall be applied against any Accretion Amounts related to such Pre-Record Date Deferred Amount-and, to the extent such Accretion Amounts are insufficient to satisfy the Pre-Record Date Deferred Amount Discount on such Pre-Record Date Deferred Amount, (a) if such Pre-Record Date Deferred Amount relates to an Insured Obligation that is Undercollateralized, the remainder of such Pre-Record Date Deferred Amount Discount shall be applied against the Pre-Record Date Deferred Loss Amount portion of such Pre-Record Date Deferred Amount, and (b) if such Pre-Record Date Deferred Amount relates to an Insured Obligation that is not Undercollateralized,

the remainder of such Pre-Record Date Deferred Amount Discount shall not be applied against the Pre-Record Date Deferred Loss Amount portion of such Pre-Record Date Deferred Amount and instead shall be waived. To the extent such waiver of the Pre-Record Date Deferred Amount Discount results in an adjustment to the total amount of Pre-Record Date Deferred Amount Consideration to be distributed to Holders, such adjustment shall be paid in Cash.

(iv) **Eligibility Distribution Record Date.** To be eligible to receive the Pre-Record Date Deferred Amount Consideration, Beneficial Holders of Insured Obligations in respect of Pre-Record Date Deferred Amounts calculated pursuant to the procedures set forth in the Payment Guidelines or the Amended Payment Guidelines, as the case may be, must be the Beneficial Holders of record as of the Eligibility Distribution Record Date.

(v) **Total Effective Consideration.** Except as otherwise provided this Plan, after consummation of the Initial Exchange and the Exchange Offers, the Distribution of the Pre-Record Date Deferred Amount Consideration shall not cause any Holder of Pre-Record Date Deferred Amounts to receive an effective consideration package of more than (a) 40% Cash, (b) 41% Senior Secured Notes, (c) 12.5% GA SSNs, and (d) a 6.5% discount. Except as otherwise provided by this Plan, after consummation of the Initial Exchange and the Exchange Offers, the Distribution of the Pre-Record Date Deferred Amount Consideration shall not cause any Holder of Pre-Record Date Deferred Amounts that is an Ambac Party to receive an effective consideration package of more than 91.3% Senior Secured Notes and an 8.7% discount.

(b) **Payment in Full in Cash of Permitted Post-Record Date Policy**

**Claims.** Each Holder of a Permitted Post-Record Date Policy Claim shall be entitled to receive, in full and final satisfaction of such Post-Record Date Policy Claim, Cash equal to the amount of such Permitted Post-Record Date Policy Claim. Such payment of Cash, as provided herein, shall constitute full and complete payment and settlement of such Permitted Post-Record Date Policy Claim. Payments made on account of Permitted Post-Record Date Policy Claims will be paid in accordance with the Amended Payment Guidelines, and as set forth below, and any disputes with respect to Post-Record Date Claims will be administered according to the procedures set forth in the Amended Payment Guidelines.

(i) **Interim Payments.** Pursuant to the Amended Payment Guidelines, the Claims Administrator shall pay to the Holder of a Permitted Post-Record Date Policy Claim an Interim Payment on the first Distribution Date occurring after the Determination Date by which such Post-Record Date Policy Claim has been determined to be a Permitted Policy Claim and shall establish a Post-Record Date Deferred Amount.

(ii) **Final Post-Record Date Payment.** Pursuant to the Amended Payment Guidelines, the Claims Administrator shall pay to the Holder of a Permitted Post-Record Date Deferred Amount a Final Post-Record Date Payment on the earlier of (x) the close of any Opposition Period or (y) the date that the amount of the Permitted Post-Record Date Policy Claim has been fixed, whether by agreement between the Claims Administrator and the Holder, or pursuant to a Final Order, but in no event shall such Final Post-Record Date Payment be made prior to the Effective Date.

(c) **Effect of Settlement of RMBS Litigation on Pre-Record Date Deferred Amount Consideration.** If, before the Effective Date, AAC or the Segregated Account

receives, in full or partial satisfaction of one or more of their claims in the RMBS Litigation, proceeds on account of such claims (net of all amounts paid or payable to reimburse reinsurers for the amounts paid by reinsurers in connection with the receipt of such proceeds, but not the amount of any cost or fee (including legal fees) incurred in connection with the RMBS Litigation), or AAC provides the benefit of such proceeds to the Segregated Account through operation of the Reinsurance Agreement, such proceeds (in an amount not exceeding \$1.4 billion) shall replace Senior Secured Notes (having a face amount equal to the amount of such proceeds) that would otherwise be issued to Holders of Pre-Record Date Deferred Amounts as Pre-Record Date Deferred Amount Consideration, in each case to the extent such proceeds would have been payable to Holders had such settlement proceeds instead been received immediately after issuance of the Senior Secured Notes. Any issuance of the Senior Secured Notes shall be reduced by an amount equal to the aforementioned net proceeds and such amount of net proceeds as would be received by AAC hereunder shall instead be paid in Cash to such Holders of Pre-Record Date Deferred Amounts (other than AAC) as if AAC had pledged such proceeds and such proceeds were used to prepay the Senior Secured Notes, thereby further reducing the issuance of the Senior Secured Notes to such Holders and AAC.

2.3 **SA SSNs and SA JSNs.** Holders of SA SSNs, and SA JSNs, shall not be entitled to receive any payment or other consideration directly or indirectly as a result of (i) the occurrence of the Effective Date or the transactions contemplated by this Plan to occur on the Effective Date, (ii) the existence, approval or effectiveness of this Plan, or (iii) the payment and issuance of the Pre-Record Date Deferred Amount Consideration; *provided that* the SA SSNs and SA JSNs will continue to remain outstanding as of the Effective Date, with AAC as the obligor thereunder as a result of the Merger. For the avoidance of doubt, while Section 2.05 of

the First Amended Plan shall have no further force or effect on and after the Effective Date, the foregoing shall not affect any rights arising under Section 2.05 of the First Amended Plan in connection with Distributions, if any, paid or payable to Holders of SA SSNs and SA JSNs prior to the Effective Date.

2.4 **Junior Deferred Amounts.** Holders of Junior Deferred Amounts, if any, existing as of the Effective Date shall receive no distribution pursuant to this Plan, and any and all obligations of the Segregated Account on account of Junior Deferred Amounts shall be discharged in full on the Effective Date.

2.5 **General Claims.** Holders of General Claims shall receive no distribution pursuant to this Plan, and any and all obligations of the Segregated Account on account of General Claims shall be discharged in full on the Effective Date.

### **ARTICLE 3 MEANS FOR IMPLEMENTATION OF PLAN**

3.1 **Administration of this Plan.** From and after the Effective Date, neither the Management Services Provider nor the Rehabilitator shall have any continuing responsibility, obligation, or role with respect to this Plan or any matter governed thereby, and AAC in its capacity as Claims Administrator shall perform all responsibilities, duties and obligations ascribed to it in this Plan and the Amended Payment Guidelines.

3.2 **Merger of the Segregated Account.** On the Effective Date, the Segregated Account shall merge with and into AAC, such that (on such date): (i) full ownership and control over all assets and liabilities of the Segregated Account shall transfer by operation of law to AAC, (ii) without limiting the generality of the foregoing, all Policies, contracts, other assets

(including the Segregated Account's equity ownership interests in ACP, Ambac Conduit Funding, LLC, and Juneau Investments, LLC) and liabilities that were previously allocated to the Segregated Account in accordance with Wis. Stat. § 611.24, shall be reallocated/returned to AAC pursuant to Wis. Stat. § 645.35(2), (iii) all liens and security interests arising under the Operative Documents shall be terminated and the Ambac Parties shall be released from any and all obligations, including liens and security interests, except as may otherwise be provided in the Plan, (iv) the Rehabilitator shall no longer be in possession of any assets of the Segregated Account under Wis. Stat. § 634.33(2), and (v) the separate existence of the Segregated Account shall cease. From and after the Effective Date, any references to either the Segregated Account or the General Account shall instead be deemed to refer to AAC.

### **3.3 Initial Exchange.**

(a) On the Effective Date, immediately prior to the consummation of the Exchange Offers and the Distributions described in the Plan, the Initial Exchange shall be consummated specifically by means of the following steps:

(i) The Pre-Record Date Deferred Amounts of Non-Ambac Holders shall be reduced by an estimated aggregate amount of \$282 million representing 12.5% of all Pre-Record Date Deferred Amounts held by Non-Ambac Holders, such reduction to be effected on a pro rata basis among such Non-Ambac Holders based on their Pre-Record Date Deferred Amounts;

(ii) The Pre-Record Date Deferred Amounts of AFG shall be increased by an estimated aggregate amount of \$129 million equal to (a) all GA SSNs and SA SSNs held by AFG as of the Record Date, less (b) \$100 million, and less (c) unpaid interest on \$100 million of SSNs accrued between June 30, 2017 and the Effective Date;

(iii) The Pre-Record Date Deferred Amounts of the Sponsoring Holders shall be increased by an estimated aggregate amount of \$153 million equal to 12.5% of all Pre-Record Date Deferred Amounts held by Non-Ambac Holders, less the amount set forth in Section 3.3(a)(ii) above, on a pro-rata basis;

(iv) AFG shall transfer GA SSNs having an aggregate principal amount and accrued and unpaid interest equal to approximately \$129 million, or the amount set forth in Section 3.3(a)(ii) above, to Non-Ambac Holders on the same pro rata basis used in determining the relative reduction of Pre-Record Date Deferred Amounts of such Non-Ambac Holders effected in clause (i) above; and

(v) The Sponsoring Holders shall transfer GA SSNs having an aggregate principal amount and accrued and unpaid interest as of the Effective Date equal to approximately \$153 million, or the amount set forth in Section 3.3(a)(iii) above, to Non-Ambac Holders on the same pro rata basis used in determining the relative reduction of Pre-Record Date Deferred Amounts of such Non-Ambac Holders effected in clause (i) above.

(b) In the event that one or more Sponsoring Holders fails to deposit its pro rata share of the GA SSNs pursuant to Section 3.3(a)(v) of this Plan in the applicable escrow account, AAC and AFG may adjust the Initial Exchange such that any shortfall may be contributed by one or more other holders of GA SSNs or make any other appropriate adjustments to preserve the economic terms of the Initial Exchange.

(c) To avoid the potential for duplicative Policy Claims, among other things, any Distribution of the Pre-Record Date Deferred Amount Consideration paid by AAC or the Segregated Account in respect of a Pre-Record Date Deferred Amount received by AFG or a

Sponsoring Holder in the Initial Exchange shall be treated as if the Holder of the applicable Policy directed AAC or the Segregated Account to make such payment on the Holder's behalf to AFG or the Sponsoring Holders, as the case may be. Accordingly, for all purposes under this Plan, AAC, AFG, the Holders (including any Holder acting in its capacity as a Trustee), and the Sponsoring Holders, shall treat such payment of Pre-Record Date Deferred Amount Consideration as if (i) it had been made by AAC or the Segregated Account under the relevant Policy to the Holder of such Policy and (ii) the Holder of such Policy then paid such Pre-Record Date Deferred Amount Consideration to AFG or the Sponsoring Holder, as the case may be.

**3.4 Funding of Cash Distributions.** On the Effective Date and following the consummation of the Initial Exchange and the Exchange Offers, the Cash portion of the Pre-Record Date Deferred Amount Consideration, and any Distributions of Cash made on account of Permitted Post-Record Date Policy Claims, will be fully funded through a draw by the Segregated Account against the Reinsurance Agreement.

**3.5 Transfer Provisions.** On the Effective Date, and after the consummation of the Initial Exchange and the Exchange Offers the Pre-Record Date Deferred Amount Consideration shall be transferred by AAC, at the request of the Segregated Account and in satisfaction of its obligations under the Reinsurance Agreement, to the Beneficial Holders of the Insured Obligations related to the Pre-Record Date Deferred Amounts, as of the Eligibility Distribution Record Date, and pursuant to the procedures set forth in the Amended Payment Guidelines. Where such underlying securities related to such Pre-Record Date Deferred Amounts are held through DTC, AAC shall transfer the Pre-Record Date Deferred Amount Consideration to DTC for further transfer by DTC to its participants. AAC, in its capacity as Claims Administrator, and/or its agents, and after reconciliation with the Holders shall provide to DTC the rates and



other information required by DTC to effect such transfers, and DTC shall be authorized to take instructions solely from AAC with respect to such transfers. Trustees shall permit, and provide any authorization or direction (but not indemnification) needed for AAC, any Paying Agent and/or DTC to make, process and/or accept any Distributions as contemplated by this Plan and the Amended Payment Guidelines. For the avoidance of doubt, all Pre-Record Date Deferred Amount Consideration to be distributed pursuant to Section 2.2(a) of this Plan shall not be transferred to the applicable Trustees but shall be deemed to be transferred to such Trustees. With respect to any transfers of GA SSNs to be effected under the Initial Exchange, AFG and the Sponsoring Holders will effect such transfers pursuant to an applicable escrow agreement.

**3.6 Transfers by Trustees.** Notwithstanding Section 3.5 of this Plan, to the extent received by a Trustee, any Pre-Record Date Deferred Amount Consideration shall promptly be transferred by such Trustee to the Beneficial Holders for whom it is acting as trustee. Notwithstanding the generality of the foregoing, any such Trustee may allocate, distribute or disburse the Pre-Record Date Deferred Amount Consideration issued in accordance with this Plan by allocating, distributing or disbursing such Pre-Record Date Deferred Amount Consideration (or any beneficial interest therein) to the Beneficial Holders of such underlying financial instrument(s) through the relevant custodians holding the positions on behalf of the Beneficial Holders, and such custodians shall be required to accept and distribute such Pre-Record Date Deferred Amount Consideration to the Beneficial Holders.

**3.7 Deemed Distribution Dates.** Any Distribution on the Effective Date, pursuant to this Plan and the Amended Payment Guidelines, will be deemed to have been received by Beneficial Holders on the next scheduled Bond Distribution Date applicable to the relevant Insured Obligation or underlying Transaction Documents that give rise to such Claims,

notwithstanding the date when the Cash or Pre-Record Date Deferred Amount Consideration was actually received by such Beneficial Holders.

**3.8 Post-Effective Date Policy Claim.** With respect to Post-Effective Date Policy Claims based on events, occurrences, and circumstances occurring or existing after the Effective Date, nothing in this Plan shall (x) cause to inure to any Holder of such claims any right or claim which would not have existed in the absence of the Proceeding or (y) in any manner, relieve or limit any obligation of any Holder of such Post-Effective Date Policy Claim to AAC, including with respect to payment of premiums, recoveries, reimbursements, settlements and/or other amounts that are due and owing to AAC under any Policy, Transaction Document, or other agreement; *provided that*, as set forth in Section 6.13 of this Plan, any default, event of default, or other event or circumstance occurring before or on the Effective Date or in connection with this Plan that may have given rise to or gives rise to a default or event of default, under any Policy or Transaction Document, will be deemed to be cured and not to have occurred.

**3.9 No Fractional Amounts.** Any Distributions of Senior Secured Notes and/or transfers of GA SSNs pursuant to the Initial Exchange, transferred to DTC for further transfer by DTC to its participants, shall be (i) in denominations of no less than \$1.00 and (ii) made in accordance with Section 3.5 of this Plan. When any Distribution pursuant to this Plan or transfer pursuant to the Initial Exchange would otherwise result in the issuance of an amount of the Senior Secured Notes or the transfer of an amount of GA SSNs that is less than \$1.00, the actual Distribution of such Senior Secured Notes or transfer of the GA SSNs, shall be rounded down to the next dollar amount with no further payment therefor. Any Distributions of Cash with respect to Pre-Record Date Deferred Amount Consideration shall be (i) in denominations of no less than \$.01 and (ii) made in accordance with Section 3.5 of this Plan. When any Distribution of Cash

pursuant to this Plan would otherwise result in a Cash amount of less than \$.01, the actual Distribution of such Cash shall be rounded down to the next hundredth of a dollar with no further payment therefor.

#### **ARTICLE 4 PROCEDURES GOVERNING DISTRIBUTIONS AND CLAIM RESOLUTION**

4.1 **Claims Administration.** From and after the Effective Date all Pending Claims, Administrative Claims, and Post-Record Date Policy Claims shall be governed by this Plan and the Amended Payment Guidelines, and except with respect to Administrative Claims, AAC shall be responsible for administering, evaluating, disputing, objecting to, compromising or otherwise resolving all such claims in accordance with this Plan and the Amended Payment Guidelines.

4.2 **Administrative Claims.**

(a) **Submission of Administrative Claims.** After the Effective Date, each Holder of an Administrative Claim that remain eligible for submission under the terms of the Amended Payment Guidelines and has not been submitted to the Claims Administrator before the Effective Date shall submit such Administrative Claim to OCI in accordance with the Amended Payment Guidelines 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.

(b) **Administration and Payment of Pending Administrative Claims.** The Rehabilitator or OCI in their sole and absolute discretion shall evaluate each Pending Administrative Claim to determine whether such Pending Administrative Claim is a Permitted Claim or whether an Objection should be raised against such Administrative Claim in accordance with the Amended Payment Guidelines. AAC shall make a Distribution to each

Holder of a Permitted Administrative Claim, in accordance with normal business practices and in complete satisfaction of such Permitted Administrative Claim, in Cash in an amount equal to the dollar amount of such Permitted Administrative Claim.

#### 4.3 **Post-Effective Date Policy Claims and Pending Policy Claims**

(a) **Post-Effective Date Policy Claims.** Each Holder of a Post-Effective Date Policy Claim shall submit such Post-Effective Date Policy Claim to AAC in accordance with the applicable Transaction Documents; *provided that* if the applicable Transaction Documents contain provisions requiring Holders of a Post-Effective Date Policy Claim to use forms other than the Amended Proof of Policy Claim Form, this Plan and the Approval Order will control, and such Holder shall be required to submit such Post-Effective Date Policy Claim using the Amended Proof of Policy Claim Form and any related Claim Schedule.

(b) **Administration of Pending Policy Claims.** The Claims Administrator shall be responsible for administering, evaluating, disputing, objecting to, compromising or otherwise resolving all Pending Policy Claims in accordance with this Plan and the Amended Payment Guidelines.

4.4 **Disputed Claims Process.** As more fully described in the Amended Payment Guidelines, the Rehabilitator, the Management Services Provider, or the Claims Administrator, as applicable, may raise an Objection to any Pending Claim on any ground, including, but not limited to, the ground that the Management Services Provider or the Claims Administrator lacks sufficient information to evaluate such Pending Claim, that the amount submitted as a Claim is not valid, or that such Claim is a Duplicate Claim or a Late Claim, by providing the Holder of the Claim or the Holder's representative (as applicable) with written notice of the substance of

the Objection. The Holder, if it wishes to dispute such Objection, shall send to the Rehabilitator, the Management Services Provider, or the Claims Administrator, a written response to the Objection, in accordance with the terms of the Amended Payment Guidelines.

**4.5 Alternative Resolutions of Claims.** Nothing in this Plan or the Amended Payment Guidelines shall limit the ability of the Management Services Provider, the Rehabilitator, or the Claims Administrator to effectuate an Alternative Resolution to resolve any Claim, including 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 or AAC's liability or agreement on alternative treatment, in respect of, as applicable, (i) all or part of the relevant 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; provided that such Alternative Resolution must not violate the law.

**4.6 Discharge of ACP Obligations.** As of the Effective Date, all obligations of ACP under or with respect to contracts as to which a Policy Claim was or could have been made against the Segregated Account prior to the Effective Date shall be discharged and deemed satisfied in full.

**4.7 No Duplicative Recovery.** No Holder or Beneficial Holder of any Permitted Policy Claim or Insured Obligation shall be entitled to receive consideration on account of such Permitted Policy Claim or Insured Obligation in excess of 100% of the amount of such Permitted Policy Claim or Insured Obligation other than Accretion Amounts.

4.8 **Setoffs and Recoupment.** The Segregated Account or AAC (individually or in its capacity as successor to the Segregated Account) may set off or recoup in whole or in part against any Permitted Claim and the Distribution to be made pursuant to this Plan on account of such Permitted Claim, any and all claims, rights and Causes of Action that the Segregated Account or AAC may hold against the Holder of such Permitted Claim, to the extent such setoff or recoupment is permitted under applicable law; provided that, (a) neither the failure to effect a set-off or recoupment, nor (b) the permission of any Claim hereunder, will constitute a waiver or release by the Segregated Account or AAC with respect to claims, rights, or Causes of Action that AAC may possess against such Holder.

4.9 **Recoveries on Policy Claims.** Notwithstanding the Proceeding, the Proceeding Circumstances, any provisions of the Interim Cash Payment Rules, the Payment Guidelines, the Amended Payment Guidelines, this Plan, the First Amended Plan, the Disclosure Statement and/or any amendments and/or or supplements thereto, the Segregated Account, or AAC as its successor, shall be entitled, in its sole and absolute discretion, to reduce its obligations to the Holders of Permitted Claims and Beneficial Holders of Deferred Amounts by any Recovery Amounts attributable to such Holders or Beneficial Holders or the relevant Insured Obligations, by reducing the amount of the Deferred Amount due to such Holders or Beneficial Holders to the extent such Deferred Amounts have not already been reduced by any applicable Recovery Amounts. No Holder, Trustee or Beneficial Holder may apply a Recovery Amount in a manner inconsistent with the determination by the Claims Administrator pursuant to this Section 4.09, the Payment Guidelines, or the Amended Payment Guidelines.

4.10 **Reimbursements on Policy Claims.** Notwithstanding the Proceeding, the Proceeding Circumstances, any provisions of the Interim Cash Payment Rules, the Payment

Guidelines, the Amended Payment Guidelines, this Plan, the First Amended Plan, the Disclosure Statement and/or any amendments and/or supplements thereto, the Claims Administrator shall be entitled to collect any Reimbursement Amounts that AAC or the Segregated Account becomes, or is, entitled to receive under the Transaction Documents in relation to any: (i) Distributions or payments made prior to, on, or after the Effective Date (including any distributions of the Pre-Record Date Deferred Amount Consideration and the application of the Pre-Record Date Deferred Amount Discount if applied to Pre-Record Date Deferred Loss Amounts) hereunder, under the Payment Guidelines and the Amended Payment Guidelines, pursuant to, and in accordance with, the applicable Policy and any related Transaction Documents; (ii) payments made according to the Interim Cash Payment Rules; and (iii) other amounts paid by or on behalf of the Segregated Account in respect of an Insured Obligation, and in each case where a payment was made by AAC in respect of a Pre-Record Date Deferred Amount received by AFG or a Sponsoring Holder from a Holder in the Initial Exchange, it shall be treated as if AAC had paid such amount under the relevant Policy to the Holder directly and then the Holder paid such amount to AFG or the Sponsoring Holder, in each such case as if AAC had paid 100% of such Policy Claims under the relevant Policy in Cash, notwithstanding the Pre-Record Date Deferred Amount Discount, to the Holder directly.

4.11 **Assignment of Rights.** Without prejudice to (i) the terms and provisions of the applicable Policy and any related Transaction Document and (ii) any assignment previously executed, whether pursuant to an Amended Proof of Policy Claim Form, or otherwise, upon receipt of any Distribution, including the Pre-Record Date Deferred Amount Consideration and the Final Post-Record Date Payment from AAC or the Segregated Account, or the type of Distributions described in Section 3.3(c) of this Plan, each Holder (for and on behalf of its

Beneficial Holders, if such Holder is a Trustee) of such Permitted Policy Claim shall be deemed to have assigned its rights with respect to the full amount of its Policy Claim relating to the amount of such Distribution or transfer, including any Pre-Record Date Deferred Amount Discount in respect of any Pre-Record Date Deferred Amount, under the Transaction Document(s) to AAC.

4.12 **Subsequent Adjustments.** If AAC determines that any Distribution received by the Holder of a Deferred Amount or Permitted Claim was incorrect, AAC may, to the extent necessary to account for such error: (i) recoup from the Holder all or a portion of the amount of such Distributions or (ii) adjust the amount of any future Distributions to be paid to such Holder. Any disputes regarding Subsequent Adjustments are subject to the dispute resolution procedures set forth in the Amended Payment Guidelines.

## **ARTICLE 5 EFFECTIVENESS**

5.1 **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.

5.2 **Conditions Precedent to the Effective Date.** Unless otherwise specified herein, the occurrence of the Effective Date of this Plan is subject to satisfaction or waiver (in accordance with Section 5.3 below) of the following conditions precedent:

- (a) This Court will have entered the Approval Order;



(b) After giving effect to the transactions contemplated by this Plan, AAC will have sufficient capital and claims-paying resources for AAC to effectuate the terms of this Plan, as determined by the Rehabilitator in his sole and absolute discretion;

(c) All conditions (other than the occurrence of the Effective Date) to consummation of the Initial Exchange and the Exchange Offers shall have been satisfied or waived in accordance with the terms thereof;

(d) The Rehabilitator, AAC, and AFG will have received from the Internal Revenue Service a ruling, in form and substance reasonably satisfactory to the Rehabilitator, AAC, and AFG, that neither (i) the satisfaction of the Deferred Amounts pursuant to this Plan nor (ii) any exchange by AAC for Senior Surplus Notes contemplated by the Definitive Documents will be a “designated event” for purposes of Internal Revenue Service Notice 2004-37; and

(e) AAC will have received opinions from Sidley Austin LLP regarding the tax treatment of those aspects of the Transaction Mechanics, this Plan, the Exchange Offers, the Waiver and Amendment to Settlement Agreement, and certain transactions entered into to satisfy the condition regarding capital and claims-paying resources that are relevant to the continued affiliation of AAC with AFG for federal income tax purposes, to the continued availability of AAC’s net operating losses, and to REMIC Matters. Any such opinion shall be, in form and substance, satisfactory to the Rehabilitator and reasonably satisfactory to AAC.

**5.3 Waiver of Conditions Precedent.** Each of the conditions precedent in Section 5.2, other than the condition precedent set forth in section 5.2(e) above which may be waived by mutual consent of AAC and the Rehabilitator, may be waived in writing by the Rehabilitator in

its sole discretion. The condition precedent set forth in Section 5.2(e) may only be waived by AAC in its sole discretion.

**5.4 Effect of Failure of Conditions to Effective Date.** If the Effective Date does not occur before the termination of the Rehabilitation Exit Support Agreement, save as set forth in Article 5 hereof, this Plan will not become effective and (a) no Distributions shall be made pursuant to this Plan, (b) the Segregated Account and all holders of Claims shall be restored to the *status quo ante* as of the day immediately preceding the Approval Order Date as though the Approval Order Date never occurred, (c) all of the Segregated Account's obligations with respect to Claims and Deferred Amounts shall remain unchanged and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Segregated Account or any other Entity or to prejudice in any manner the rights of the Segregated Account or any other Entity in any further proceedings involving the Segregated Account or otherwise, (d) the Initial Exchange shall not be consummated, and (e) nothing contained in the Plan shall: (i) constitute a waiver or release of any Claims; (ii) prejudice in any manner the rights of the Ambac Parties, the Rehabilitator, the Management Services Provider, the Sponsoring Holders, or any other Entity; or (iii) constitute an admission, acknowledgment, offer, or undertaking of any sort by the Ambac Parties, the Rehabilitator, the Management Services Provider, the Sponsoring Holders, or any other Entity.

## **ARTICLE 6 EFFECTS OF THIS SECOND AMENDED PLAN**

**6.1 Prior Orders Remain in Effect.** To the extent not explicitly superseded or amended by this Plan, the Payment Guidelines, or the Approval Order, all (x) prior orders of this Court and (y) documents or agreements approved by this Court, shall remain in full and effect in all respects. For the avoidance of doubt, such orders or documents approved by this Court shall

include the Plan, the First Amended Plan, the 2011 Confirmation Order, the Payment Guidelines, the 2014 Approval Order, the Injunction, and any orders pertaining to the allowance, determination, payment and dispute of Claims and Deferred Amounts, settlements, Synthetic Commutations, and utilization of Alternative Resolutions to resolve Claims and Deferred Amounts.

**6.2 Termination of Rehabilitation Proceeding.** Pursuant to § 645.35(2), on the Effective Date, the Proceeding shall be terminated and the Rehabilitator shall no longer be in possession of, and will be deemed to have fully relinquished any and all ownership of or control over, all assets and liabilities of the Segregated Account.

**6.3 Termination of Duties of the Rehabilitator and the Management Services Provider.** On the Effective Date, after completion of the Distributions required to be made hereunder, the Rehabilitator and the Management Services Provider shall be discharged of all duties, and their respective employees and appointed agents shall be discharged of their duties, if any, with respect to all matters related to this Proceeding and rehabilitation of the Segregated Account, except as otherwise ordered by the Court. The Rehabilitator, the Management Services Provider, and each of their respective employees and representatives shall have no liability for actions taken by AAC after the Effective Date, except as ordered otherwise by the Court.

**6.4 Segregated Account Operational Documents.** As of the Effective Date, the Segregated Account Operational Documents will terminate and no longer be of any force or effect, including any liens or security interests, and where applicable, all of AAC's obligations thereunder will be deemed to have been satisfied in full and AAC will have no further obligations thereunder.

6.5 **Discharge.** All Distributions made pursuant to this Plan and the First Amended Plan in the form of Cash, the Pre-Record Date Deferred Amount Consideration (including any Pre-Record Date Deferred Amount Discount in respect of any Pre-Record Date Deferred Amount Consideration), the Final Post-Record Date Payment, or any other form of consideration, shall serve to effect a full and complete payment, satisfaction, release, discharge and termination of any and all liens, Claims, Causes of Action, interests, or encumbrances upon or against the Ambac Parties and any matters relating to the Segregated Account, and any and all such liens, Claims, Causes of Action, interests, or encumbrances shall be deemed discharged and satisfied in full and shall be of no further force and effect.

6.6 **Releases.** As of the Effective Date, the Releasing Parties shall unconditionally and forever release each of the Released Parties from any and all Causes of Action based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date to the extent that it directly or indirectly arises from, or relates to, the Segregated Account or the Proceeding (including the commencement of the Proceeding, the preparations therefor, negotiations relating thereto, any restructuring work relating thereto, any Court orders sought or obtained, and the administration, conduct and termination of the Proceeding); the Disclosure Statement (as amended) (including the Disclosure Statement's formulation, negotiation, preparation and dissemination); this Plan and the First Amended Plan (including the formulation, negotiation, preparation, dissemination and approval of each); or any contract, instrument, document or other agreement entered into as part of or pursuant to this Plan or the First Amended Plan; provided that the foregoing shall not affect the liability of any such Entity that otherwise would result from any act or omission that is determined by a Final Order to constitute willful misconduct, gross negligence, intentional fraud, criminal conduct,

intentional unauthorized misuse of confidential information that causes damages or *ultra vires* acts; provided further that the foregoing shall not release the Released Parties from any of their respective obligations under the Plan. Nothing contained in or implied by this part of this Plan shall operate, or be construed or applied to deprive any Released Party any immunity, indemnity, benefits of law, rights or any defense otherwise available.

6.7 **Exculpation.** As of the Effective Date, each of the Exculpated Parties is unconditionally and forever exculpated from Causes of Action based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date to the extent that it directly or indirectly arises from, or relates to, the Segregated Account or the Proceeding (including the commencement of the Proceeding, the preparations therefor, negotiations relating thereto, any restructuring work relating thereto, any Court orders sought or obtained, and the administration, conduct and termination of the Proceeding); the Disclosure Statement (as amended) (including the Disclosure Statement's formulation, negotiation, preparation and dissemination); this Plan and the First Amended Plan (including the formulation, negotiation, preparation, dissemination and approval of each); or any contract, instrument, document or other agreement entered into as part of or pursuant to this Plan or the First Amended Plan; provided that the foregoing shall not affect the liability of any such Entity that otherwise would result from any act or omission that is determined by a Final Order to constitute willful misconduct, gross negligence, intentional fraud, criminal conduct, intentional unauthorized misuse of confidential information that causes damages or *ultra vires* acts; provided further that the foregoing shall not release the Exculpated Parties from any of their respective obligations under the Plan. Nothing contained in or implied by this part of this Plan

shall operate, or be construed or applied to deprive any Exculpated Party any immunity, indemnity, benefits of law, rights or any defense otherwise available.

**6.8 Discharge and Release Injunction.** Except as may otherwise be provided herein or in the Definitive Documents, the Distributions (including any Pre-Record Date Deferred Amount Discount in respect of any Pre-Record Date Deferred Amount Consideration) made under this Plan shall be in complete exchange for, and in full and unconditional settlement, satisfaction, discharge and release of all Claims, Deferred Amounts, obligations, rights, Causes of Action or liabilities of the Segregated Account and AAC, and shall effect a full and complete release, discharge, and termination of any and all Liens, or other claims, interests, or encumbrances upon the Segregated Account and AAC with respect to such Claims, Deferred Amounts, obligations, rights, Causes of Action or liabilities. All Entities will be permanently barred and enjoined from asserting against the Ambac Parties, or their respective successors or property or any of their respective current or former members, shareholders, affiliates, officers, directors, employees, advisors or agents, any and all Claims, Deferred Amounts, obligations, rights, Causes of Action or liabilities, based upon any act, omission, transaction, or other activity of any kind or nature in connection with the Segregated Account, the Proceeding, and the Proceeding Circumstances, other than as expressly provided for in this Plan. Without limiting the foregoing, the following actions with will be enjoined:

- commencing or continuing in any manner any action or other proceeding, including the assertion of any counterclaims or defenses, on account of Policy Claims that arose prior to the Effective Date, whether such Claims, counterclaims, or defenses were predicated on the Proceeding Circumstances or otherwise, or the property to be distributed under the terms of this Plan, other than (i) to enforce

any right to the Pre-Record Date Deferred Amount Consideration and the Final Post-Record Date Payment and (ii) to administer or otherwise resolve any Disputed Claims pursuant to the Amended Payment Guidelines;

- enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Ambac Parties with respect to Claims that arose before the Effective Date, other than to enforce any right to the Pre-Record Date Deferred Amount Consideration and the Final Post-Record Date Payment;
- creating, perfecting, or enforcing any Lien or other encumbrance against property of the Ambac Parties, or any property to be distributed under the terms of this Plan or the First Amended Plan;
- with respect to Claims that arose before the Effective Date, asserting any right of setoff, subrogation, or recoupment of any kind, directly or indirectly, against any obligation due to the Ambac Parties or any direct or indirect transferee of any property of, or successor in interest to, the Ambac Parties as prohibited by Wis. Stat. § 645.56; and
- acting or proceeding in any manner, in any place whatsoever, that does not comply with, the provisions of this Plan.

**6.9 Indemnification and Injunction With Regard to Holders and Sub-Trustee/Agents.** Each Sub-Trustee/Agent shall submit any Policy Claim for payment in accordance with the provisions of this Plan, the Payment Guidelines, and the Amended Payment Guidelines. Actions taken in compliance with this Plan and the Amended Payment Guidelines, or, to the extent applicable, in compliance with the First Amended Plan and the Payment Guidelines, by any 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. AAC shall indemnify any Indemnified Party for any Third Party Liability provided (a) no amounts shall be payable by AAC 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 before the Effective Date; *provided that* the foregoing shall not decrease the Pre-Record Date Deferred Amount Consideration to be distributed to each Holder under this Plan.

Any indemnification obligation of AAC under this provision shall further be subject to and conditioned upon 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 AAC 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 AAC in any such suit in order to defend against said claim and/or shall tender to AAC control of the defense and settlement of such claim or action, and shall cooperate with AAC in such defense and settlement. AAC shall at all times have the right to employ counsel to represent both the Indemnified Party and AAC in any claim or action or proceeding, whether or not AAC has requested intervention or tender of control; provided that in the event AAC's counsel or the Indemnified Party's counsel determines that there is a legal conflict of interest between AAC and such Indemnified Party, and neither AAC nor such Indemnified Party is willing to waive such



conflict, then such Indemnified Party shall be entitled to retain one separate counsel, acceptable to AAC. Until AAC requests the control of the defense and settlement of such claim or action or unless AAC has otherwise employed counsel to represent both AAC 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 documented expenses shall be Third-Party Liabilities (provided that AAC shall in no event be liable for the legal fees and expenses of more than one firm). Further, AAC shall have no liability for any settlement of any lawsuit or action for which AAC otherwise agrees herein to indemnify an Indemnified Party unless written notice of such proposed settlement shall have been furnished to AAC, and AAC in its sole and absolute discretion shall have consented in writing to such settlement.

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

**6.10 Preservation of Causes of Action.** Other than Causes of Action against an Entity that are waived, relinquished, exculpated, released, compromised, or settled in this Plan or by a Court order, any and all Causes of Action of the Ambac Parties are preserved. On and after the Effective Date, AAC may pursue such Causes of Action in its sole and absolute discretion.

No Entity may rely on the absence of a specific reference in this Plan or the Disclosure Statement to any Cause of Action against them as any indication that AAC will not pursue any and all available Causes of Action against them. No preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the entry of Approval Order. On and after the Effective Date, AAC shall retain and shall have, including through its authorized agents or representatives, the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Court. Notwithstanding anything contained herein to the contrary, AAC shall not retain any claims or Causes of Action released pursuant to section 6.6 of this Plan against the Released Parties.

**6.11 Beneficiaries of Immunity and Indemnification.** The Released Parties are entitled to protection under this part of this Plan for any actions taken pursuant to, or in furtherance of, this Plan or the First Amended Plan.

**6.12 Immunity and Indemnification.** The Released Parties 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 Approval Order related hereto), the First Amended Plan (and the 2014 Approval Order related thereto), 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, gross negligence, or willful misconduct as determined by a Final Order and, in all respects, such Entities 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 Released Party, whether against that Entity 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 Approval Order related hereto), the First Amended Plan (and the 2014 Approval Order related thereto), 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, that Entity shall be indemnified by AAC for all reasonable and documented 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, gross negligence, or willful misconduct. Any such indemnification 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 Released Party any immunity, indemnity, benefits of law, rights or any defense otherwise available.

6.13 **No Defaults.** As of the Effective Date, any default, event of default, or other event or circumstance relating to AAC, the Segregated Account, or any subsidiary thereof, then existing or alleged to exist (or that would exist with the passing of time or the giving of notice or both), under any agreement will be deemed to be cured and not to have occurred or existed, now,

in the past or in the future, to the extent such default, event of default, or other event or circumstance is, or is alleged to be, due or relating to, or arising under or as a result of, the terms, existence, execution, delivery, performance in accordance with the terms thereof or the creation or consummation (in each case as applicable) of: (i) this Plan or any variation thereof; (ii) the First Amended Plan; (iii) the Original Plan; (iv) the Segregated Account; (v) the Merger; (vi) the Exchange Offers; (vii) the Definitive Documents; (viii) the Proceeding and all orders of the Court entered therein; (ix) the grounds for the Proceeding; (x) the failure of AAC or the Segregated Account to pay any amount prior to the Effective Date under any Policy or Transaction Document; (xi) the financial condition of AAC prior to the Effective Date resulting from the Proceeding or the grounds for the Proceeding; or (xii) noncompliance by AAC or the Segregated Account with any provision of any Policy or Transaction Document prior to the Effective Date; or (xiii) the Proceeding Circumstances.

6.14 **Actions Self-Effectuating.** All matters and actions provided in this Plan to occur as of the Effective Date shall occur automatically and without the need for further action by any Entity on the Effective Date, other than declaration by the Rehabilitator of the occurrence of the Effective Date as provided by Section 5.1 of this Plan.

## **ARTICLE 7 RETENTION OF JURISDICTION**

7.1 **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 terms, purposes and intent of this Plan are carried out. Without limiting the generality of the foregoing, and except as otherwise provided in this Plan, the Court shall also expressly retain exclusive jurisdiction:

(a) to hear and determine Objections to Disputed Claims and disputes relating to 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) to enter such orders and injunctions as are necessary to enforce the terms of this Plan, and to impose such limitations, restrictions, terms, and conditions as the Court may deem necessary;

(d) to enter an order reopening the Proceeding;

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

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

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

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

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

(j) 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 Approval Order.

## **ARTICLE 8 GENERAL PROVISIONS**

8.1 **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.

8.2 **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 Entity, or to prejudice in any manner the rights of the Segregated Account or any other Entity in any further proceedings involving the Segregated Account.

8.3 **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); *provided however*, that the Rehabilitator

shall not seek to alter, amend or modify the Pre-Record Date Deferred Amount Consideration received hereunder.

8.4 **Limitation of Recovery.** Nothing in this Plan, the First Amended Plan, the Payment Guidelines, or the Amended 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.

8.5 **Binding Effect.** This Plan shall be binding on any Entity named or referred to in this Plan, and the rights benefits, and obligations of any Entity 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 Entity.

8.6 **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.

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

8.8 **Inconsistency.** As of the Effective Date, this Plan and the Approval Order shall supersede the First Amended Plan and the 2014 Approval Order as of the Effective Date. In the event of any inconsistency between this Plan and the Disclosure Statement (and/or any amendments and/or or supplements thereto), the provisions of this Plan shall govern. As of the Effective Date, with respect to making Distributions on account of Deferred Amounts or Permitted Claims or any transfer of GA SSNs pursuant to the Initial Exchange, this Plan shall supersede any inconsistent provisions of the First Amended Plan, the Payment Guidelines, the Interim Cash Payment Rules or the Disclosure Statement (and/or any amendments and/or or supplements thereto) that provide or impose rules, procedures, guidelines and/or obligations for, or on, any Entity for the submission to and the evaluation, processing and payment of Claims by the Segregated Account.

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



8.10 **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.

8.11 **Returned Distributions.** In the event that a Holder (including any Holder acting in its capacity as Trustee) rejects or returns a Distribution 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 Distribution or Policy Claim or Deferred Amount shall be released and forever barred, except in the sole and absolute discretion of AAC.

Dated at Madison, Wisconsin this 22<sup>nd</sup> day of September, 2017.


By:   
Daniel J. Schwartz,  
Special Deputy Commissioner  
on behalf of the Rehabilitator

EXHIBIT 1  
PAYMENT GUIDELINES, AS AMENDED

## **PAYMENT GUIDELINES FOR PLAN OF REHABILITATION, AS AMENDED**

Date: September 25, 2017

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”)<sup>1</sup> 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 dated October 8, 2010 (the “Original Plan”). On June 11, 2014, the Court issued an order approving certain amendments to the Original Plan (together with all supplements and Exhibits thereto, the “First Amended Plan”). On September 25, 2017, the Rehabilitator filed a further amended Plan of Rehabilitation for the Segregated Account (together with all supplements and Exhibits thereto, the “Second Amended Plan” or the “Plan”).

In order to facilitate an efficient and orderly process for the submission of Policy Claims to the Segregated Account and the evaluation, processing, and payment of Claims by the Segregated Account pursuant to the Plan, 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 “Payment Guidelines”). These Payment Guidelines are being posted online at [www.ambacpolicyholders.com](http://www.ambacpolicyholders.com), and shall be effective immediately on issuance.

These Payment Guidelines replace and supersede the Guidelines under the Plan of Rehabilitation (Claims Processing for Policy Claims) dated as of February 18, 2011, and the Rules Governing the Submission, Processing and Partial Payment of Policy Claims of the Segregated Account of Ambac Assurance Corporation in Accordance With June 4, 2012 Interim Cash Payment Order (the “Interim Cash Payment Rules”) and the Payment Guidelines for the Plan of Rehabilitation, as amended, dated June 12, 2014. These Payment Guidelines do not apply to payments relating to financial guaranty policy no. 17548BE, known as the “LVM Policy,” which shall be controlled by the LVM Payment Guidelines dated June 12, 2014, as amended and supplemented from time to time.

For illustration purposes, these Payment Guidelines are accompanied by a series of examples showing, as applicable, the disbursement of Interim Payments, the creation of Deferred Loss Amounts and Accretion Amounts, the reallocation of Deferred Loss Amounts, and the application of Recovery Amounts in three separate contexts: (i) Write Down Transactions; (ii)

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<sup>1</sup> 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.

transactions affected by Undercollateralization; and (iii) Certain Multi-CUSIP Policies. The examples are attached hereto as Exhibits C, D, and E, respectively.

## ARTICLE I

### **Submission and Processing of Policy Claims**

**1.1 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 all 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 all Policy Claims in accordance with the Plan, these 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 Policy Claims.** Each Holder of a Policy Claim, whether acting on its own behalf or in its capacity as Trustee, including any Policy Claim arising prior to the Effective Date (but not already submitted to the Management Services Provider in accordance with the provisions of the Interim Cash Payment Rules or the Original Payment Guidelines) shall submit to the Management Services Provider (i) such Policy Claim in accordance with, and including such information as is required by, the provisions of the applicable Policy and any other Transaction Document(s) giving rise to or governing the submission of such Policy Claim, and (ii) a fully completed and duly executed Proof of Policy Claim Form in the form attached hereto as Exhibit B relating to such Policy Claim, including the Claim Schedule referred to therein. Each Holder shall submit all Policy Claims covered by the same Policy and for the same Claim Period on one Proof of Policy Claim Form (and Claim Schedule), and shall therein identify each Insured Obligation (by CUSIP, if any) to which each such Policy Claim relates, as required by the Claim Schedule relating to such Proof of Policy Claim Form. A separate Proof of Policy Claim Form and Claim Schedule shall be submitted for all Policy Claims relating to the same Policy for each Claim Period. Each such 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 Policy Claim.

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

**1.4 Pending Policy Claim.** No Policy Claim shall become a Pending Policy Claim unless the Holder of such Policy Claim 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 Policy Claim Form (including the Claim Schedule referred to therein) with respect to such Policy Claim, and (iii) any other guidelines or further directions issued by the Rehabilitator from time to time. All Claims that were designated as Pending Policy Claims under the Original Payment Guidelines,

but were not Permitted, and were not denied, under the Original Payment Guidelines as of the Record Date, shall be deemed Pending Policy Claims under these Payment Guidelines.

**1.5 Eligibility of Pending Policy Claims.** No Policy Claim shall be eligible to be considered a Permitted Policy Claim on any Payment Date following the date of submission by the Holder unless it is a Pending 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 Policy Claims.** The Management Services Provider shall evaluate each Pending Policy Claim to determine whether the amount set forth in the Proof of Policy Claim Form is a Permitted Policy Claim or whether an Objection should be raised as to such Policy Claim in accordance with Section 4.1 hereof. The Management Services Provider may, from time to time, ask any Holder to supplement its Pending Policy Claim with further supporting documentation in order to evaluate and decide whether to Permit such Pending Policy Claim. Upon the determination by the Management Services Provider and the Rehabilitator that a Pending Policy Claim constitutes a Permitted Claim, such Policy Claim shall be considered a Permitted Policy Claim.

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

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

## ARTICLE II

### Payments on Permitted Policy Claims

**2.1 Interim Payments.** Each Holder of a Permitted Policy Claim shall receive an Interim Payment unless (i) the Court or the Rehabilitator (in his sole and absolute discretion) has permitted an Alternative Resolution of such Permitted Policy Claim, or (ii) the Holder already received an Interim Payment in respect of such Permitted Policy Claim pursuant to the Interim Cash Payment Rules or the Original Payment Guidelines.

**2.2 Procedure for Interim Payments.** If the Management Services Provider, the Rehabilitator, or the Court has determined that a Pending Policy Claim constitutes a Permitted Policy Claim, the Segregated Account shall pay to the Holder of such Permitted Policy Claim an Interim Payment in Cash. Any Interim Payment in respect of a Permitted Policy Claim shall be made on the first Payment Date occurring after the Determination Date by which it was determined to be a Permitted Policy Claim; *provided that* with respect to Permitted Post-Record Date Policy Claims that are submitted, in accordance with the Plan and these Payment Guidelines, during the month that the Court enters the Approval Order, such Permitted Post-Record Date Policy Claims shall first receive an Interim Payment and then shall be paid in full in Cash on the Effective Date or as soon as reasonably practicable following the Effective Date. Such Interim Payment shall be paid by the Segregated Account to the account identified by the Holder in the Proof of Policy Claim Form relating to such Permitted Policy Claim; *provided that*, any Holder acting in its capacity as Trustee shall, in accordance with the provisions of the Transaction Documents relating to such Policy, distribute such Interim Payment (solely in respect of Insured Obligations) on the Bond Distribution Date immediately following the Payment Date on which such Interim Payment was made. For the avoidance of doubt, notwithstanding each Holder's obligation to submit all Policy Claims covered by the same Policy on one Proof of Policy Claim Form and to identify therein each Insured Obligation (by CUSIP, if any) to which each such 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 Holder a single aggregate Interim Payment for all Permitted Policy Claims that relate to the same Policy.

**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 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 generally, the Rehabilitator shall consider whether, in conjunction with any such increase, a Deferred Payment should be made under Section 2.9 of these Payment Guidelines.

**2.4 Deferred Amounts.** Unless the Court or the Rehabilitator (in his sole and absolute discretion) has permitted an Alternative Resolution of a Policy Claim, 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 has been deemed to be made pursuant to Section 2.18 of the Original Payment Guidelines, or in the case of a Policy that insures multiple Insured Obligations, each Insured Obligation insured by such Policy in respect of which an Interim Payment has been made or has been deemed to be made. In the case of Certain Multi-CUSIP Policies, subject to Section 2.7 hereof, the Deferred Amount relating to such Policies shall be established, allocated and/or paid in a manner that is substantially similar to the procedure shown in the "Reallocation of Deferred Loss Amount Example" attached hereto as Exhibit E, except to the extent that any Trustee or Holder of such Multi-CUSIP Policies directs otherwise, but in each case as determined by the Rehabilitator and communicated by the Management Services Provider to the Holder during the Reconciliation process described in Section 2.5 of these

Payment Guidelines. In no event shall an uninsured bondholder receive or be allocated any Deferred Amount or Payment.

With respect to each such Policy Claim or Insured Obligation, as the case may be, the Deferred Amount shall be: (A) as of the first Bond Distribution Date occurring after the first Interim Payment made or deemed made by the Segregated Account in respect of a Permitted Policy Claim relating to such Policy or Insured Obligation, or such earlier date as may be determined by the Management Services Provider in its sole discretion, the higher of (i) the amount equal to the Permitted 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 Policy or Insured Obligation since the immediately preceding Bond Distribution Date, and (ii) zero; and (B) as of each subsequent Bond Distribution Date, or such earlier date as may be determined by the Management Services Provider in its sole discretion, the higher of (i) the amount equal to Deferred Amount as of the immediately preceding Bond Distribution Date, and (x) with respect to each Pre-Record Date Deferred Amount, plus any Accretion Amounts accrued between the immediately preceding Bond Distribution Date and the Effective Date, and (y) with respect to all Deferred Amounts, plus any Permitted 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 2.14, 4.2 and 4.3 in each case in this subparagraph (B)(i), as established, paid or received with respect to such Policy or Insured Obligation since the immediately preceding Bond Distribution Date, and (ii) zero.

**2.5 Reconciliation of Pre-Record Date Deferred Loss Amounts.** The Management Services Provider, on behalf of the Segregated Account and the Rehabilitator, and any Holders of any outstanding Deferred Amounts, including those acting in their capacity as Trustee, shall conduct a final reconciliation of the Pre-Record Date Deferred Loss Amounts relating to any and all Permitted Pre-Record Date Policy Claims. Such reconciliation (the “Pre-Record Date Reconciliation”) shall be completed with respect to each Policy in respect of which there is an outstanding Pre-Record Date Deferred Amount, or in the case of a Policy that insures multiple Insured Obligations, each Insured Obligation insured by a Policy by CUSIP (if any) in respect of which there is an outstanding Pre-Record Date Deferred Amount, in each case, to the extent not previously reconciled.

Provided that a Holder, and/or its paying agent or calculating agent, as applicable, has complied with any request of the Management Services Provider (as described below), the Management Services Provider shall complete the Pre-Record Date Reconciliation by delivering, no later than December 29, 2017, the Reconciliation Notice relating to each Policy and the Insured Obligations insured thereunder by CUSIP, as the case may be, to the relevant Holder of the related Pre-Record Date Deferred Amount, using personal delivery, first class mail or electronic mail, showing the Management Service Provider’s calculation, as of the Reconciliation Date, of the Pre-Record Date Deferred Loss Amounts relating to such Insured Obligation or Policy. Following delivery of the Reconciliation Notice 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 a Holder to promptly provide, or cause its paying agent or calculating agent, as applicable, to promptly provide, information and/or further supporting documentation in order to evaluate a Pre-Record Date Deferred Loss Amount and/or Pre-Record Date Reconciliation and/or in order to assist the Management Services Provider in preparing the Reconciliation Notice. Such Holder, paying agent or calculating agent 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 2.11 hereof shall apply if the Holder, paying agent or calculating agent does not do so.

If a Holder wishes to dispute, for any reason, the Reconciliation Notice issued by the Management Services Provider, the Holder shall, no later than thirty (30) calendar days after delivery of such Reconciliation Notice (the “Reconciliation 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](mailto:claimsprocessing@ambac.com)

with a copy to:

[claimsobjections@ambac.com](mailto: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 Holder within such Reconciliation Opposition Period, the Pre-Record Date Reconciliation shall be deemed final as of the Reconciliation Date, and no further dispute resolution shall be permitted. If a response is submitted within such Reconciliation Opposition Period, the Rehabilitator shall resolve such dispute with the Holder in accordance with these Payment Guidelines and communicate such resolution to the Holder in writing. Only in the event that a response is submitted within such Reconciliation Opposition Period by the Holder, and the Management Services Provider issues a written resolution against the Holder (a “Resolution”), shall the Holder 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 Holder no later than the 20th day after the delivery of such Resolution to the Holder. If no motion is filed by the 20th day after the delivery of such Resolution to the Holder, the Reconciliation shall be deemed final as of the 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 Pre-Record Date Deferred Loss Amount shall apply for the purposes of these Payment Guidelines.

**2.6 Allocation Schedules.** To assist with the Reconciliation process contemplated by this Article 2, following the receipt by a Holder of any Payment in respect of a Permitted Policy Claim under the Plan, such Holder receiving such Payment, or its paying agent or calculating agent, as applicable, shall, on or before November 30, 2017, submit to the Management Services Provider, by e-mail to [claimsprocessing@ambac.com](mailto: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 Payment Guidelines. Provided that the Allocation Schedule is submitted on or before November 30, 2017, an Allocation Schedule may be submitted either together with a Proof of Policy Claim Form relating to the Policy pursuant to which the relevant Payment was made or separately. The requirement to submit an Allocation Schedule may be waived by the Management Services Provider, in its sole and absolute discretion, if the information required by the Allocation Schedule is contained in a remittance, trust or other report, in a form acceptable to the Management Services Provider.

**2.7 Payment of Pre-Record Date Deferred Amount Consideration.** On the Effective Date, or as soon as reasonably practicable following the Effective Date, and pursuant to the terms set forth in the Plan, after the consummation of the Initial Exchange and the Exchange Offers, the Pre-Record Date Deferred Amount Consideration shall be transferred by AAC, at the request of the Segregated Account and in satisfaction of its obligations under the Reinsurance Agreement, to the Beneficial Holders, as of the Eligibility Distribution Date, of the Insured Obligations related to the Pre-Record Date Deferred Amounts established pursuant to the Original Payment Guidelines, the Interim Cash Payment Rules, or these Payment Guidelines. In the case of Certain Multi-CUSIP Policies, Pre-Record Date Deferred Amount Consideration relating to such Policies shall be distributed in a manner that is substantially similar to the procedure shown in the “Reallocation of Deferred Loss Amount Example” attached hereto as Exhibit E, except to the extent that any Trustee or Holder of such Multi-CUSIP Policies directs otherwise. Where such underlying securities related to such Pre-Record Date Deferred Amounts are held through DTC, AAC shall transfer the Pre-Record Date Deferred Amount Consideration to DTC for further transfer by DTC to its participants. AAC, in its capacity as Claims Administrator, and/or its agents, and after reconciliation with the Holders shall provide to DTC the rates and other information required by DTC to effect such transfers, and DTC shall be authorized to take instructions solely from AAC with respect to such transfers. Holders acting in their capacity as Trustees shall permit, and provide any authorization or direction (but not indemnification) needed for AAC, any Paying Agent and/or DTC to make, process and/or accept any Payments as contemplated by the Plan and these Payment Guidelines. For the avoidance of doubt, all Pre-Record Date Deferred Amount Consideration to be distributed pursuant to Section 2.2(a) of the Plan shall not be transferred to the applicable Trustees but shall be deemed to be transferred to such Trustees. If the Pre-Record Date Deferred Amount Consideration relates to an Insured Obligation that is Undercollateralized, the Holder of the related Pre-Record Date Deferred Amount shall reduce the outstanding principal balance of the related Insured Obligation by an amount equal to the Pre-Record Date Deferred Loss Amount portion of the related Pre-Record Date Deferred Amount, provided the Pre-Record Date Deferred Amount has been satisfied in full in accordance with the Plan and these Payment Guidelines.

**2.8 Reconciliation of and Satisfaction of Post-Record Date Deferred Amounts.** The Management Services Provider, on behalf of the Segregated Account and the Rehabilitator, and after the Effective Date, AAC, shall reconcile any Post-Record Date Deferred Amounts relating to any and all Permitted Post-Record Date Policy Claims. Such reconciliation shall be completed with respect to (x) each Policy in respect of which there is an outstanding Post-Record Date Deferred Amount, or (y) in the case of a Policy that insures multiple Insured Obligations, each Insured Obligation insured by a Policy by CUSIP (if any) in respect of which there is an outstanding Post-Record Date Deferred Amount, pursuant to the terms of the applicable Insured

Obligation and related Transaction Documents. In accordance with Section 2.2 of the Plan, AAC shall pay the outstanding Final Post-Record Date Payment in full in Cash, less any and all amounts which reduce the Post-Record Date Deferred Amount, including any Recovery Amounts, Subsequent Adjustments, or setoffs.

**2.9 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 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 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 Payment Guidelines. Deferred Payment Notices shall identify the Deferred Payment Percentage and the anticipated Deferred Payment Date for the Deferred Payment. For the avoidance of doubt, the term “Deferred Payment” does not include the Payment of the Pre-Record Date Deferred Amount Consideration and Final Post-Record Date Payment to be made on the Effective Date, or as soon as reasonably practicable following the Effective Date, pursuant to the Plan.

**2.10 Surplus Note Payments.** On or about the Deferred Payment Date when any Deferred Payment is made, the Segregated Account shall pay the holder of each outstanding Surplus Note an amount equal to the product of (i) the Deferred Payment Percentage applicable to such Deferred Payment and (ii) the sum of the principal and accrued but unpaid interest outstanding, as of the immediately preceding Reconciliation Date, under each such Surplus Note. Any such payment shall be applied in accordance with the terms of the Surplus Notes and any applicable fiscal agency agreement, and shall be deemed approved by OCI in accordance with Wis. Stat. § 611.33(2)(d). For the avoidance of doubt, and consistent with Section 2.3 of the Plan, this Section 2.10 of these Payment Guidelines shall be of no further force or effect from and after the Effective Date, and shall not apply to any Payment made on or after the Effective Date.

**2.11 Eligibility for Deferred Payments.** A Holder of a Permitted Policy Claim shall not be eligible to receive a Deferred Payment announced by the Rehabilitator pursuant to these 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 Beneficial Holder of the Insured Obligation relating to such Permitted Policy Claim, and any paying agent or calculating agent, as applicable, are not in violation of the Plan, the Injunction, these 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, or its’ paying agent or calculating agent, as applicable, has provided all information and supporting documentation reasonably requested by the Rehabilitator and the Management Services Provider pursuant to these Payment Guidelines

**2.12 Procedure for Deferred Payments.** For each Holder eligible to receive a Deferred Payment announced by the Rehabilitator pursuant to Section 2.9, 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 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 relevant Holder 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 Reconciliation Notice (or, if a Holder has disputed a Reconciliation Notice in accordance with the procedures set forth in Section 2.5 of these 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 Payment Guidelines. Any Holder acting in its capacity as Trustee shall, on the Bond Distribution Date immediately following the Deferred Payment Date on which the Deferred Payments were made, distribute to the Beneficial Holders all Deferred Payment Amounts (a) in respect of Deferred Loss Amounts, in accordance with the Reconciliation Notice (or, if a Holder has disputed the Reconciliation Notice in accordance with the procedures set forth in Section 2.5 of these 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 a Holder in its capacity as Trustee or other paying agent for and on behalf of Beneficial Holders, such Holder 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 Beneficial Holder.

**2.13 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 Holder of the relevant Permitted Policy Claim using the account information provided in the most recent Proof of Policy Claim Form, and such Holder shall then distribute such Deferred Loss Amounts to the Beneficial Holders of such Insured Obligations to which such Deferred Loss Amounts apply; and (ii) on or before the next occurring Bond Distribution Date relating to the relevant Insured Obligation, distribute any Deferred Payment Amounts in respect of Accretion Amounts directly to the then-current (or, when a Deferred Loss Amount has been reduced to zero, the last) Beneficial Holders of the Insured Obligation via DTC or in such other manner that is reasonably available to the Paying Agent. All Trustees 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 Payment Guidelines.

**2.14 Reimbursements on Policy Claims.** Notwithstanding the Proceeding, the Proceeding Circumstances, any provisions of the Interim Cash Payment Rules, the Original Payment Guidelines, these Payment Guidelines, the Plan, the First Amended Plan, the Disclosure Statement and/or any amendments thereto, the Claims Administrator shall be entitled to collect

any Reimbursement Amounts that AAC or the Segregated Account becomes, or is, entitled to receive under the Transaction Documents in relation to any: (i) Payments made prior to, on, or after the Effective Date (including any Payment of the Pre-Record Date Deferred Amount Consideration and the application of the Pre-Record Date Deferred Amount Discount if applied to Pre-Record Date Deferred Loss Amounts pursuant to the Plan), under the Original Payment Guidelines and these Payment Guidelines, pursuant to, and in accordance with, the applicable Policy and any related Transaction Documents; (ii) payments made according to the Interim Cash Payment Rules; and (iii) other amounts paid by or on behalf of the Segregated Account in respect of an Insured Obligation, and in each case where a payment was made by AAC in respect of a Pre-Record Date Deferred Amount received by AFG or a Sponsoring Holder from a Holder in the Initial Exchange, it shall be treated as if AAC had paid such amount under the relevant Policy to the Holder directly and then the Holder paid such amount to AFG or the Sponsoring Holder, in each such case as if AAC had paid 100% of such Policy Claims under the relevant Policy in Cash, notwithstanding the Pre-Record Date Deferred Amount Discount, to the Holder directly.

**2.15 Recoveries on Policy Claims.** Notwithstanding the Proceeding, the Proceeding Circumstances, any provisions of the Interim Cash Payment Rules, the Original Payment Guidelines, these Payment Guidelines, the Plan, the First Amended Plan, the Disclosure Statement and/or any amendments thereto, the Segregated Account, or AAC as its successor, shall be entitled, in its sole and absolute discretion, to reduce its obligations to the Holders of Permitted Claims and Beneficial Holders of Deferred Amounts by any Recovery Amounts attributable to such Holders or Beneficial Holders of the relevant Insured Obligations, by reducing the amount of the Pre-Record Date Deferred Amount Consideration or the Final Post-Record Date Payment due to such Holders or Beneficial Holders by the Recovery Amount. No Holder, Trustee or Beneficial Holder may apply a Recovery Amount in a manner inconsistent with the determination by the Claims Administrator pursuant to this Section 2.15 or the Plan.

**2.16 Supplemental Payments.** The Rehabilitator may, at any time, direct the Management Services Provider to make a Supplemental Payment to any Holder of a Permitted 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.

**2.17 Special Policy Payments.** The Rehabilitator may, at any time, direct the Management Services Provider to make a Special Policy Payment. Special Policy 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.

**2.18 Assignment of Rights.** Without prejudice to (i) the terms and provisions of the applicable Policy and any related Transaction Document and (ii) any assignment previously executed, whether pursuant to a Proof of Policy Claim Form, or otherwise, upon receipt of any Payment, including the Pre-Record Date Deferred Amount Consideration and the Final Post-

Record Date Payment from AAC or the Segregated Account, or the type of Payments described in Section 3.3(c) of the Plan, each Holder (for and on behalf of its Beneficial Holders, if such Holder is a Trustee) of such Permitted Policy Claim shall be deemed to have assigned its rights with respect to the full amount of its Policy Claim relating to the amount of such Payment or transfer, including any Pre-Record Date Deferred Amount Discount in respect of any Pre-Record Date Deferred Amount, under the Transaction Document(s) to AAC.

**2.19 Payments of ACP Obligations.** Any Payment made in respect of a Permitted Policy Claim that relates to an obligation of ACP under a related credit default swap shall be deemed a payment by ACP of its obligations under such related credit default swap to the extent of such Payment.

**2.20 Proof of Policy Claim Form.** From and after the Effective Date, each Holder of a Post-Effective Date Policy Claim shall submit such Post-Effective Date Policy Claim to AAC in accordance with the applicable Transaction Documents; *provided that* if the applicable Transaction Documents contain provisions requiring Holders of a Post-Effective Date Policy Claim to use forms other than the Proof of Policy Claim Form, such Holder shall be required to submit such Post-Effective Date Policy Claim using the Proof of Policy Claim Form and any related Claim Schedule.

### ARTICLE III

#### General Claims Procedure<sup>2</sup>

**3.1 General 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 General Claims. The Management Services Provider is responsible for administering, disputing, objecting to, compromising or otherwise resolving all General Claims in accordance with the Plan 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.

**3.2 Submission of General Claims.** Each Holder of a General Claim, including any General Claim arising prior to the Effective Date (other than a General Claim that was, is or becomes the subject of an Alternative Resolution), shall submit to the Management Services Provider such General Claim in accordance with, and including such information as is required by, the provisions of the underlying instrument(s) or contract(s) giving rise to or governing the submission of such General Claim, if any. Each such General Claim submitted in accordance with this Section shall be referred to as a Pending General Claim.

**3.3 Timing for Submission of General Claims.** A Holder shall not submit a General Claim any earlier than permitted under the underlying instrument(s) or contract(s) giving rise to or governing the submission of such General Claim; provided, however, that a Holder

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<sup>2</sup> Because the Plan does not provide for any Payments on account of General Claims, this Article and its provisions are inoperable; *provided that* the Court approves the Plan.

shall submit a General Claim in a timely manner such that it is determined not to be a Late Claim.

**3.4 Pending General Claims.** No General Claim shall become a Pending General Claim unless the Holder of such General Claim fully and properly complies with the Plan and these Payment Guidelines, including without limitation the requirements of Sections 3.2 and 3.3 hereof, as applicable, and with any other guidelines or further directions issued by the Rehabilitator.

**3.5 Evaluation of Pending General Claims.** The Management Services Provider shall evaluate each Pending General Claim to determine whether such Pending General Claim is a Permitted Claim or whether an Objection should be raised as to such General Claim in accordance with Section 4.1 hereof. The Management Services Provider may, from time to time, ask any Holder to supplement its Pending General Claim with further supporting documentation in order to evaluate and decide whether to Permit such Pending General Claim. Upon the determination by the Management Services Provider or the Rehabilitator that a Pending General Claim constitutes a Permitted Claim, such General Claim shall be considered a Permitted General Claim.

**3.6 No Re-Submission of General Claims.** Unless required by the Rehabilitator, the Segregated Account or the Management Services Provider, a Holder shall not submit the same General Claim to the Management Services Provider more than once.

**3.7 Junior Deferred Amounts.** Unless the Court or the Rehabilitator (in his sole and absolute discretion) has permitted an Alternative Resolution of a General Claim, the Rehabilitator shall cause the Segregated Account to establish a Junior Deferred Amount with respect to each Permitted General Claim on the Payment Date immediately following the date on which such General Claim is determined to be a Permitted General Claim.

**3.8 Junior Deferred Payments.** No part of any Junior Deferred Amount shall be payable until such time as the Rehabilitator announces that a Junior Deferred Payment will be made. The Rehabilitator may announce his intention to make a Junior Deferred Payment by filing with the Court and posting on the Website a Junior Deferred Payment Notice 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 generally equitable to the interests of the Holders of Permitted Policy Claims and General Claims. The Rehabilitator shall determine the Junior Deferred Payment Percentage in connection with each Junior Deferred Payment in his sole and absolute discretion, based on such analysis. On or about the Deferred Payment Date when any Junior Deferred Payment is made, the Segregated Account shall pay the holder of each outstanding Junior Surplus Note an amount equal to the product of (i) the Junior Deferred Payment Percentage applicable to such Junior Deferred Payment and (ii) the sum of the principal and interest then outstanding under each such Junior Surplus Note. Any such payment shall be applied in accordance with the terms of the Junior Surplus Notes, and shall be deemed approved by OCI in accordance with Wis. Stat. § 611.33(2)(d).

**3.9 Procedure for Junior Deferred Payments.** Promptly following the announcement of a Junior Deferred Payment, the Management Services Provider and the Holders of Permitted General Claims shall reconcile the amount to be paid. The Rehabilitator may ask any Holder to supplement its General Claim with further supporting documentation. If the parties are unable to reconcile the amount to be paid, each of the Holder and the Management Services Provider shall have the right to file a motion with the Court seeking resolution of the dispute. The Management Services Provider shall make any Junior Deferred Payments to the Holder of the applicable Permitted General Claim in an amount equal to the Junior Deferred Payment Percentage announced by the Rehabilitator, multiplied by the Junior Deferred Amount with respect to such General Claim as of the date of the Junior Deferred Payment Notice. Such Junior Deferred Payment shall be made on the Payment Date that next follows the date on which the reconciliation required by this Section 3.9 is completed. All Junior Deferred Payments shall be made by the Management Services Provider to the account of the Holder identified in the General Claim submitted by the Holder.

## ARTICLE IV

### **Claims Resolution Procedures**

**4.1 Disputed Claims.** The Rehabilitator or the Management Services Provider may raise an Objection to any Pending 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 Claim, that the amount submitted as a Claim is not valid, or that such Claim is a Duplicate Claim or a Late Claim, by providing the Holder of the Claim or the Holder's representative (as applicable) with written notice of the substance of the Objection, which objection, with respect to any Claim arising on or prior to the Record Date, shall be delivered by the Management Services Provider to such Holder no later than December 1, 2017. No later than the thirtieth (30th) day after the delivery of such written notice of Objection to the Holder (the "Disputed Claim Opposition Period"), the Holder, 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](mailto:claimsprocessing@ambac.com)

with a copy to:

[claimsobjections@ambac.com](mailto: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 Claim should be a Permitted Claim. If no response is sent by the Holder within such Disputed Claim Opposition Period, the Claim, or the portion 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. If a response is submitted within such Disputed Claim Opposition Period, the Rehabilitator or the Management Services Provider shall resolve such dispute in accordance with these Payment Guidelines (including by considering any excusable neglect, in the case of a Late Claim) and communicate such resolution to the Holder in writing (a "Resolution"). Only in the

event that a response is submitted within such Disputed Claim Opposition Period by the Holder and the Rehabilitator or the Management Services Provider issues a written Resolution that such Disputed Claim is fully or partially a Disallowed Claim, shall the Holder have the right to file a motion with the Court asserting that the Rehabilitator or the Management Services Provider improperly disallowed all or any portion of such Claim. Any such motion must be filed by the Holder no later than the twentieth (20th) day after the delivery of such Resolution to the Holder.

**4.2 Setoffs.** The Segregated Account or AAC (individually or in its capacity as successor to the Segregated Account) may set off or recoup in whole or in part against any Permitted Claim and the Payment to be made pursuant to the Plan on account of such Permitted Claim, and any all claims, rights and Causes of Action that the Segregated Account or AAC may hold against the Holder of such Permitted Claim; provided that, (a) neither the failure to effect a set-off or recoupment, nor (b) the permission of any Claim hereunder, will constitute a waiver or release by the Segregated Account or AAC with respect to claims, rights, or Causes of Action that AAC may possess against such Holder.

**4.3 Subsequent Adjustments.** Prior to the Effective Date, 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 for the relevant Insured Obligation (each, a "Subsequent Adjustment"), by providing the Holder of the Permitted Claim or the Holder's representative (as applicable) with a notice of Subsequent Adjustment. No later than the thirtieth (30th) day after the delivery of such written notice of Objection to the Holder (the "Subsequent Adjustment Opposition Period"), the Holder, 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](mailto:claimsprocessing@ambac.com)

with a copy to:

[claimsobjections@ambac.com](mailto: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 Holder within such Subsequent Adjustment 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 Subsequent Adjustment Opposition Period, the Rehabilitator shall resolve such dispute in accordance with these Payment Guidelines and communicate such resolution to the Holder in writing (a "Resolution"). Only in the event that a response has been submitted by the Holder within such Subsequent Adjustment Opposition Period and the Rehabilitator issues a written



Resolution determining that a Subsequent Adjustment is necessary, shall the Holder 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 Holder no later than the twentieth (20th) day after the delivery of such Resolution to the Holder.

**4.4 Disputes Pending on the Effective Date.** Any Post-Record Date Policy Claim disputes or objections that are pending on the Effective Date shall be resolved in accordance with the procedures set forth in the applicable Transaction Documents in respect of the Insured Obligations that give rise to such Post-Record Date Policy Claims.

**4.5 Disallowed Claims on or prior to the Effective Date.** Any Claim which has been Disallowed on or prior to the Effective Date pursuant to the Interim Cash Payment Rules or the Original Payment Guidelines shall be, and shall continue to be, Disallowed under these Payment Guidelines.

## ARTICLE V

### Miscellaneous

**5.1 Governing Law.** The rights and obligations arising under these 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.

**5.2 Prior Orders and Agreements.** Subject to these 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 any Policy or other liability allocated to the Segregated Account.

**5.3 Retention of Jurisdiction.** Before and after the Effective Date, the Court shall have exclusive jurisdiction over the Proceeding in accordance with the Act to ensure that the purposes and intent of the Plan and these Payment Guidelines are carried out. Without limiting the generality of the foregoing, and except as otherwise provided in the Plan or these Payment Guidelines, the Court shall also expressly retain exclusive jurisdiction:

(a) to hear and determine Objections to Disputed Claims and disputes relating to 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) to enter such orders and injunctions as are necessary to enforce the terms of the Plan, and to impose such limitations, restrictions, terms, and conditions as the Court may deem necessary;

(d) to enter an order reopening the Proceeding;

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

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

(g) to consider any amendment or modification of the Plan or any related documents;

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

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

(j) 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 Approval Order.

**5.4 Immunity and Indemnity.** The immunity and indemnity provisions in Sections 6.9 and 6.12 of the Plan are incorporated here in full by reference as if fully set forth.

**5.5 Amendment and Modification of These 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 Payment Guidelines may be supplemented, modified, altered or withdrawn in the Rehabilitator's discretion, *provided that* so long as the Rehabilitation Exit Support Agreement has not been terminated, to the extent that such supplement, modification, alteration, or withdrawal affects the Pre-Record Date Deferred Amount Consideration, such supplement, modification, alteration, or withdrawal shall require the consent of the Sponsoring Holders.

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

**5.7 Limitation of Recovery.** Other than in respect of Accretion Amounts, nothing in these Payment Guidelines shall cause to inure to the benefit of any Holder of a Policy Claim, General Claim or any other Claim any greater right than that which would have existed were the Segregated Account not in rehabilitation.

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

**5.9 Inconsistency.** With respect to making Payments on Permitted Claims, these Payment Guidelines shall supersede the Interim Cash Payment Rules and the Original Payment Guidelines, and any inconsistent provisions of the Disclosure Statement or any other document, other than the Plan, that provides 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. In the case of any inconsistency between these Payment Guidelines and the Plan, the Plan shall control.

**5.10 Effect of Failure of Conditions to Effective Date.** If (i) the Effective Date does not occur before the termination of the Rehabilitation Exit Support Agreement, (ii) a Final Order is entered (x) denying approval of the Plan or (y) reversing or vacating the Approval Order, or (iii) the Rehabilitator withdraws the Plan, these Payment Guidelines shall automatically rescind and shall have no further force or effect and, in such case, the Original Payment Guidelines shall control.

**5.11 Post-Effective Date Period.** These Payment Guidelines shall be of no further force or effect after the Effective Date, except with respect to Sections 2.14, 2.20, 4.2, 4.3, 4.4, 4.5, and Article 5 of these Payment Guidelines, which shall continue to be operative during the Post-Effective Date Period.

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

**5.13 Notice.** Except as otherwise specified herein, any notice permitted or required to be delivered by these 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 a Holder, to the address or e-mail address specified in the Proof of Policy Claim Form relating to the relevant 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, and by electronic mail to [claimsprocessing@ambac.com](mailto: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.

**5.14 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 Payment Guidelines.

**5.15 Returned Payments.** In the event that a Holder (including any Holder acting 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.

**5.16 Terminated Trusts.** Notwithstanding the terms of any Transaction Documents to the contrary, at no time throughout the effective duration of the 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 the Plan, including, but not limited to, the effectuation of Recovery Amounts, Reimbursement Amounts, Reconciliations, Payments and Deferred Payments.

## EXHIBIT A

### DEFINITIONS

Capitalized terms used in these Payment Guidelines shall have the following meanings, unless otherwise defined herein:

“AAC” means Ambac Assurance Corporation.

“Accretion Amounts” means, in respect of any Insured Obligation or any Permitted Claim which has a related Pre-Record Date Deferred Amount or Junior Deferred Amount outstanding, on any Bond Distribution Date on which such Pre-Record Date Deferred Amount or Junior Deferred Amount is to be calculated, accretion on such outstanding Pre-Record Date Deferred Amount or Junior Deferred Amount at the Accretion Rate from the immediately preceding Bond Distribution Date to the Effective Date.

“Accretion Rate” means, in respect of any Pre-Record Date 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 Pre-Record Date 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.

“ACP” means Ambac Credit Products, LLC.

“Act” means the Wisconsin Insurers Rehabilitation and Liquidation Act, Wis. Stat. § 645.01 *et. seq.*

“Allocation Schedule” shall have the meaning given to such term in the Amended Proof of Policy Claim Form.

“Alternative Resolution” means the process defined in Section 4.5 of the Plan pursuant to which the Rehabilitator may negotiate a resolution of certain Claims.

“Amendments” means the amendments to the Plan dated June 12, 2014.

“Approval Order” means the Decision approving the Plan, including any Findings of Fact and Conclusions of Law that may be required by the Rehabilitator in his sole and absolute discretion.

“Beneficial Holder(s)” means, in respect of any Insured Obligation, the beneficial holder(s) of such Insured Obligation insured by a Policy.

“Bond Distribution Date” means, in respect of an Insured Obligation, the monthly date on which scheduled interest and/or principal payments are due, or would be due (absent any acceleration, termination, extinguishment or legal final maturity of such Insured Obligation),

from the issuer of the relevant Insured Obligation to the Beneficial Holders of such Insured Obligation, or, if payment of scheduled interest and/or principal in relation to any such Insured Obligation is not or would not have been due on a monthly basis, each Payment Date.

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

“Business Day” means 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.

“Cash” means 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.

“Certain Multi-CUSIP Policies” means Policies that insure multiple Insured Obligations under a transaction where Payments made by the Segregated Account are to be allocated by a Holder to Beneficial Holders of different Insured Obligations in the order and priority prescribed by the Transaction Documents. An example showing the reallocation of Deferred Loss Amounts for Certain Multi-CUSIP Policies is attached hereto as Exhibit E.

“Claim” means 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, that arises prior to the Effective Date.

“Claim Period” shall have the meaning given to such term in the Proof of Policy Claim Form.

“Claim Schedule” shall have the meaning given to such term in the Proof of Policy Claim Form.

“Commissioner” means the Commissioner of Insurance of the State of Wisconsin.

“Confirmation Order” means 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.

“Cooperation Agreement” means the Cooperation Agreement, by and between the Segregated Account, the Rehabilitator, AAC and Ambac Financial Group, Inc., effective March 24, 2010, as amended as of March 14, 2012, and as further amended, supplemented or modified from time to time.

“CUSIP” means, 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.

“Deferred Loss Amount” means, 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.

“Deferred Payment” means a Payment of all or any portion of a Deferred Amount to be made in accordance with these Payment Guidelines, except Payment of the Pre-Record Date Deferred Amount Consideration and the Final Post-Record Date Payment to be paid pursuant to the Plan.

“Deferred Payment Amount” means, in connection with any Deferred Payment, the amount, in Cash, paid in respect of the Deferred Amount established for such Permitted Policy Claim.

“Deferred Payment Date” means the Payment Date of any Deferred Payment or the date of any Junior Deferred Payment.

“Deferred Payment Notice” means any notice filed by the Rehabilitator with the Court and posted on the Website to announce a Deferred Payment, which notice shall identify the Deferred Payment Percentage and announce the anticipated Deferred Payment Date.

“Deferred Payment Percentage” means the percentage of each Deferred Amount to be satisfied in a Deferred Payment, as announced by the Rehabilitator.

“Determination Date” means the eleventh (11th) day of each month, or earlier (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 or the Management Services Provider.

“Disallowed Claim” means 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 Original Payment Guidelines or these Payment Guidelines.

“Disclosure Statement” means the Disclosure Statement Accompanying the Plan filed with the Court on September 25, 2017, as amended, modified or supplemented from time to time.

“Disputed Claim” means 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.

“DTC” means The Depository Trust Company, a clearing agency registered with the Securities and Exchange Commission or any successor entity thereto.

“Duplicate Claim” means any Claim with respect to which the Rehabilitator or the Management Services Provider has determined, in their 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 Document(s) giving rise to such Claim is the subject of, or is, a Pending Claim, Disputed Claim, Late Claim, Disallowed Claim or a Permitted Claim.

“Effective Date” means the day on which the Plan is effective, as determined, and announced by the Rehabilitator, in accordance with Article 5 of the Plan.

“Eligibility Distribution Date” means a date to be set by the Rehabilitator in his sole discretion; *provided that* that such date is intended to be as close as reasonably practicable to the Effective Date, but shall be no later than one business day prior to the Effective Date.

“General Account” means the general account of AAC.

“General Claims” means 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.

“Holder” means 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 any trustee submitting claims in accordance with the Original Payment Guidelines or these Payment Guidelines, (ii) a Deferred Amount, or (iii) a Junior Deferred Amount.

“Injunction” means 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.

“Insured Obligation” means 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.

“Interim Cash Payment Rules” means 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, together with any amendments or supplements thereto.

“Interim Payment” means, with respect to each Policy Claim determined to be a Permitted Policy Claim, the Payment of the amount equal to the then applicable Interim Payment Percentage of the Permitted Policy Claim Amount, made in accordance with these Payment



Guidelines. With respect to each Policy Claim deemed Permitted in accordance with the Interim Cash Payment Rules and Section 2.18 of the Original Payment Guidelines, the payment made to the Holder of such Permitted Policy Claim in accordance with the Interim Cash Payment Rules or such guidelines as applicable.

“Interim Payment Amount” means the amount, in Cash, of any Interim Payment made by the Segregated Account to the Holder of a Permitted Policy Claim.

“Interim Payment Percentage” means 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, 45%, and which may be increased from time to time by the Rehabilitator pursuant to these Payment Guidelines.

“IPP Notice” means any notice filed by the Rehabilitator with the Court and posted on the Website to announce an increase to the Interim Payment Percentage, which notice shall identify the new Interim Payment Percentage and announce the anticipated date that such increase will take effect.

“Junior Deferred Amount” means, with respect to each Permitted General Claim: (A) as of the Payment Date immediately following the date on which such General Claim became Permitted, the amount, in dollars, equal to the amount of the Permitted General Claim less any Junior Deferred Payment Amount paid with respect to such Permitted General Claim since the immediately preceding Payment Date, less any Recovery Amount or other recovery or salvage paid to or received by the Holder in respect of such Permitted General Claim since the immediately preceding Payment Date, less any amounts due and unpaid to AAC and/or the Segregated Account by the Holder of such Permitted General Claim since the immediately preceding Payment Date and less any amounts set off pursuant to Sections 4.2 and/or 4.3 hereof; and (B) as of each Payment Date following the first Payment Date, the amount, in dollars, equal to the Junior Deferred Amount as of the immediately preceding Payment Date plus any Accretion Amounts accrued since the immediately preceding Payment Date, less any Junior Deferred Payment Amount paid with respect to such Permitted General Claim since the immediately preceding Payment Date, less any Recovery Amount or other recovery or salvage paid to or received by the Holder in respect of such Permitted General Claim since the immediately preceding Payment Date, less any amounts due and unpaid to AAC and/or the Segregated Account by the Holder of such Permitted General Claim since the immediately preceding Payment Date and less any amounts set off pursuant to Sections 4.2 and/or 4.3 hereof.

“Junior Deferred Payment” means a Payment of all or any portion of a Junior Deferred Amount, made in accordance with these Payment Guidelines.

“Junior Deferred Payment Amount” means the amount, in Cash, of any Junior Deferred Payment made by the Management Services Provider on behalf of the Segregated Account to each Holder of a Permitted General Claim in respect of the Junior Deferred Amount established for such Permitted General Claim.

“Junior Deferred Payment Notice” means any notice filed by the Rehabilitator with the Court and posted on the Website to announce a Junior Deferred Payment, which notice shall

identify the Junior Deferred Payment Percentage and announce the anticipated Payment Date for the Junior Deferred Payment.

“Junior Deferred Payment Percentage” means the percentage of each Junior Deferred Amount to be paid by a Junior Deferred Payment.

“Junior Surplus Notes” means any junior surplus notes issued by the Segregated Account.

“Late Claim” means any Claim determined pursuant to the procedure set forth in the Original Payment Guidelines or these Payment Guidelines, as applicable, to not have been submitted in compliance with the Claim Requirements and with respect to Pre-Record Date Policy Claims, by the earlier of (x) November 30, 2017 or (y) the date that such Claim would be a “Late Claim” pursuant to the First Amended Plan and the Original Payment Guidelines. Any Claim that, on or before the date of the issuance of these Payment Guidelines would be a “Late Claim” pursuant to the terms of the Original Payment Guidelines, shall be a Late Claim under the Plan and these Payment Guidelines. For the avoidance of doubt, the earliest date on which a Claim may be submitted to the Claims Administrator for consideration as a Permitted Claim is the earlier of (x) the Bond Distribution Date and (y) the date that the right to payment arises under the Insured Obligation that gives rise to a Claim.<sup>1</sup>

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

“Management Services Provider” means AAC or any successor Management Services Provider under the Management Services Agreement.

“Objection” means any dispute or objection with respect to a Claim, as contemplated by Section 4.1 of these Payment Guidelines.

“OCI” means the Office of the Commissioner of Insurance of the State of Wisconsin.

“Opposition Period” means the thirty (30) day period during which the Holder of a Claim may oppose a Reconciliation Notice under Section 2.5 of these Payment Guidelines, or the period through December 1, 2017, during which the Rehabilitator or the Management Services Provider may raise an Objection under Section 4.1, or the thirty (30) day period during which a Holder may dispute a Subsequent Adjustment under Section 4.3, as the case may be.

“Original Payment Guidelines” means the Payment Guidelines for the First Amended Plan, as amended, dated June 12, 2014.

“Paying Agent” means any paying agent retained by the Claims Administrator on or after the Effective Date, in the sole and absolute discretion of the Claims Administrator for the purpose of making any Payment in accordance with the Plan and these Payment Guidelines.

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<sup>1</sup> NTD: Removal of claims deadline for Post-Record Date Policy Claims will require a conforming change to the Plan.

“Payment” means a payment made by or on behalf of the Segregated Account, in accordance with the Plan, the First Amended Plan, the Original Payment Guidelines, these Payment Guidelines, an order of the Court, or pursuant to the direction of the Special Deputy Commissioner, on account of Deferred Amounts or Permitted Claims, including, but not limited to, Cash, Senior Secured Notes, SA SSNs, SA JSNs, Interim Payments, Supplemental Payments, Deferred Payments, Junior Deferred Payments, Special Policy Payments and/or payments made (as applicable) in conjunction with an Alternative Resolution, as well as any transfer of Pre-Record Date Deferred Amount Consideration by AAC or the Segregated Account in respect of a Pre-Record Date Deferred Amount received by AFG or a Sponsoring Holder in the Initial Exchange pursuant to Section 3.3(c) of the Plan. For the avoidance of doubt, the term Payment does not include securities transferred by AFG or a Sponsoring Holder pursuant to the Initial Exchange.

“Payment Date” means the date during each month on which Policy Claims, arising before the Effective Date, and which have been Permitted by the Claims Administrator on the immediately preceding Determination Date, are scheduled to be paid in accordance these Payment Guidelines. The Payment Date for all Claims Permitted after the issuance of these Payment Guidelines shall be the eleventh (11th) day of each such month (or, if any such day is not a Business Day, the immediately following Business Day), or such other date as may be defined in these Payment Guidelines; *provided that* all Payments of the Pre-Record Date Deferred Amount Consideration to be distributed pursuant to the Plan and these Payment Guidelines shall be completed on the Effective Date or as soon as reasonably practicable following the Effective Date.

“Pending / Pending Claim” means a Claim (i) submitted in accordance with all of the requirements of the Plan and these Payment Guidelines, including without limitation, in the case of a Policy Claim, Sections 1.2, 1.3 and 1.4 of these 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.

“Permitted / Permitted Claim” means 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 the First Amended Plan and the Original Payment Guidelines, the Plan and these Payment Guidelines, to the extent determined by the Claims Administrator 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 Claims Administrator, as applicable, 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 the Plan, the Injunction, the Original Payment Guidelines, these Payment Guidelines, or any other order of the Court relating to the Segregated Account.

“Permitted General Claim Amount” means, with respect to each Permitted General Claim, the amount of the Permitted General Claim, as determined pursuant to these Payment Guidelines.

“Permitted Policy Claim Amount” means, with respect to each Permitted Policy Claim, the amount of the Permitted Policy Claim, as determined pursuant to these Payment Guidelines.

“Person” means an individual, a person, 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.

“Petition Date” means March 24, 2010, the date on which OCI commenced the Proceeding.

“Plan” means the Second Amended Plan of Rehabilitation for the Segregated Account dated September 25, 2017 and all supplements and Exhibits hereto, and as the same may be further amended or modified as set forth herein and in accordance with the Act. All references to the “Plan” used herein are to the Second Amended Plan.

“Plan of Operation” means the Plan of Operation of the Segregated Account, as amended, modified and/or supplemented from time to time.

“Policy/Policies” means one or more financial guaranty insurance policy or policies, surety bond(s) or other similar guarantee(s) allocated to the Segregated Account pursuant to the Plan of Operation.

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

“Pre-Record Date Deferred Amount” means, with respect to each Insured Obligation (identified by its CUSIP, if any) in respect of which a Pre-Record Date Policy Claim has been Permitted and/or established by the Segregated Account, and an Interim Payment made, the amount calculated as a Deferred Amount pursuant to the procedures set forth in these Payment Guidelines or the Original Payment Guidelines, as applicable, in respect of Permitted Policy Claims based on events, occurrences and circumstances occurring or existing prior to the Record Date (x) including any and all Accretion Amounts and (y) less any Recovery Amounts received up to and including the Effective Date in respect of such Insured Obligation and which have not otherwise previously reduced the Pre-Record Date Deferred Amount in respect of such Insured Obligation.

“Pre-Record Date Deferred Amount Consideration” means the Cash and Senior Secured Notes to be distributed to Holders of Pre-Record Date Deferred Amounts pursuant to Section 2.2 of the Plan.

“Pre-Record Date Reconciliation” means the reconciliation of Pre-Record Date Deferred Loss Amounts relating to Permitted Pre-Record Date Policy Claims, and any Recovery Amounts, and/or Payments relating thereto, in accordance with the procedure set forth in Section 2.5 of these Payment Guidelines.

“Proceeding” means 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.

“Proof of Policy Claim Form” means the forms attached to these Payment Guidelines as Exhibit B to be used by the Holders of relevant Policy Claims and Post-Effective Date Policy Claims to submit such claims to the Management Services Provider or AAC, as applicable, in accordance with these Payment Guidelines, and with respect to Post-Effective Date Policy Claims, the relevant Transaction Documents, as such forms may be amended and/or supplemented from time to time in the sole and absolute discretion of the Rehabilitator.

“Reconciliation Date” means December 29, 2017.

“Reconciliation Notice” means the notice delivered by the Management Service Provider no later than December 29, 2017, pursuant to Section 2.5 of these Payment Guidelines, to Holders of Permitted Policy Claims. Reconciliation Notices shall indicate the Management Services Provider’s calculation, as of the Reconciliation Date, of the Pre-Record Date Deferred Loss Amount, taking into consideration any Recovery Amounts, Reimbursement Amounts, or Payments.

“Reconciliation Opposition Period” means the thirty (30) day period that runs from the delivery of the Reconciliation Notice during which a Holder may send to the Management Services Provider a written response disputing the Reconciliation Notice. If no response is sent by the Holder within the Reconciliation Opposition Period, the Pre-Record Date Reconciliation shall be deemed final as of the Reconciliation Date, and no further dispute resolution shall be permitted.

“Recovery Amount” means, in respect of any Insured Obligation (identified by CUSIP, if any) or any General Claim, the amount of any payments, recoveries, reimbursements or other assets or benefits (excluding any Payments made under the Plan, the Interim Cash Payment Rules or these Payment Guidelines) which the Rehabilitator, in his sole and absolute discretion, determines that the Holder of a Permitted Policy Claim relating to such Insured Obligation or a Beneficial Holder, or the Holder of a General Claim, has received, collected or recovered and that satisfies an obligation of the Segregated Account under the Plan with respect to Deferred Loss Amounts or Junior Deferred Amounts. Such amounts shall include, without duplication, double-counting or limitation, the amount of any payments, recoveries, reimbursements or other assets or benefits (excluding any Payments made under the Plan, the Interim Cash Payment Rules or these Payment Guidelines) that:

- (i) such Holder of a Permitted Policy Claim relating to such Insured Obligation, Beneficial Holder, or Holder of a General Claim has received, collected or

recovered from a Person that is not AAC or the Segregated Account (other than scheduled principal and/or interest on the collateral for such Insured Obligation);

- (ii) reduce, or are permitted to reduce, any amount of overdue and unpaid interest and/or principal that is insured under the relevant Policy;
- (iii) such Holder of a Permitted Policy Claim relating to such Insured Obligation or Beneficial Holder has received, collected or recovered in respect of such Insured Obligation that AAC, the Segregated Account or ACP would have been entitled to receive, collect, recover, or receive the benefit of, had it paid 100% of the Permitted Policy Claim relating to such Insured Obligation in Cash (rather than as contemplated herein);
- (iv) reduce the principal or interest on any such Insured Obligation after the final scheduled distribution date or maturity date of such Insured Obligation;
- (v) in the case of a Write Down Transaction, constitute amounts recovered in respect of allocated losses and that write the bond principal balance up;
- (vi) such Holder of a Permitted Policy Claim relating to such Insured Obligation or Beneficial Holder has received, collected or recovered pursuant to or in connection with any settlement of RMBS Remediation Claims, Alternative Resolution or pursuant to any judgment rendered by a court of competent jurisdiction in respect of such Claims; and/or
- (vii) reduce the Undercollateralization if such Insured Obligation relates to a transaction other than a Write Down Transaction and such transaction is subject to Undercollateralization.

“Reimbursement Amount” means the amount of any payments, recoveries, reimbursements or other assets that AAC is entitled to receive, collect or recover in its capacity as insurer, surety, credit support provider, credit enhancer, credit default swap counterparty or similar capacities, or as assignee or subrogee, under any Policy, any related Transaction Document with respect to the underlying obligation or Insured Obligation under such Policy, or any third party settlement or reinsurance agreement, but excluding premium payments under any Policy and, in the sole and absolute discretion of the Rehabilitator, payments made under expense-related agreements to which AAC is a party. For the avoidance of doubt, if, instead of being received, collected or recovered by AAC, any Reimbursement Amounts are received, collected or recovered by the Holder of a Permitted Policy Claim or a Beneficial Holder, such Reimbursement Amounts may be treated as Recovery Amounts under the Plan, subject to AAC’s right to collect such Reimbursement Amounts from the Holder(s) under Section 2.13 of these Payment Guidelines.

“Reinsurance Agreement” means 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.

“Resolution” shall have the meaning given to such term in Section 2.5, 4.1, or 4.3 of these Payment Guidelines, as applicable.

“RMBS Remediation Claims” means claims asserted by AAC and/or the Segregated Account in connection with Policies insuring residential mortgage backed securities, including but not limited to claims for breach of loan-level representations and warranties, fraudulent inducement and breach of contract.

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

“Segregated Account Operational Documents” means 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.

“Special Deputy Commissioner” means the Special Deputy Commissioner of the Segregated Account appointed by order of the Court.

“Special Policy Payment” means a Payment made by or on behalf of the Segregated Account for the purpose of distributing proceeds from the settlement or other resolution of RMBS Remediation Claims.

“Special Policy Payments Order” means the Court’s February 13, 2014, Order Granting Rehabilitator’s Motion for Approval to Disburse Proceeds and Make Permitted Policy Claim Payments as He Deems Appropriate from Settlement of RMBS Remediation Claims, Including those Proceeds Received, and to be Received, from a Settlement Memorialized in a Stipulated Order of the Bankruptcy Court Handling the Residential Capital, LLC Cases.

“Subsequent Adjustment” means any adjustment made in accordance with Section 4.3 of these Payment Guidelines.

“Subsequent Adjustment Notice” means the written notice of any Subsequent Adjustment made in accordance with Section 4.3 of these Payment Guidelines, which notice shall indicate the adjustment to be made and the reasons for doing so.

“Supplemental Payment” means any Payment made in accordance with Section 2.16 of these Payment Guidelines, or deemed to be made in accordance with Section 2.18 of the Original Payment Guidelines to the Holder of a Permitted Policy Claim in excess of the Interim Payment and/or any Deferred Payment made on account of such Permitted Policy Claim in order to maximize Reimbursement Amounts. Supplemental Payments shall not include Recovery Amounts.

“Supplemental Payments Order” means the Court’s August 2, 2013 Order Granting Rehabilitator’s Motion for Approval to Make Supplemental Cash Payments as to Certain Policy Claims for the Purpose of Maximizing Reimbursements for the Benefit of all Policyholders.

“Surplus Notes” means any surplus notes issued by the Segregated Account, other than the Junior Surplus Notes.

“Transaction Documents” means 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, and Juneau Investments, LLC.

“Trustee” means a Holder acting in its capacity as trustee and/or agent on behalf of and for the benefit of Beneficial Holders.

“Undercollateralization/Undercollateralized” means, 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. An example showing the disbursement of Interim Payments, the creation of Deferred Loss Amounts and Accretion Amounts and the application of Recovery Amounts in Undercollateralized transactions is attached hereto as Exhibit D.

“Website” means the website established by the Rehabilitator for policyholders at [www.ambacpolicyholders.com](http://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, the Plan and the Segregated Account Operational Documents.

“Wis. Stat. § ” The Wisconsin Statutes (2011-12), as amended.

“Write Down Transactions” means any transactions 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. An example showing the disbursement of Interim Payments, the creation of Deferred Loss Amounts and Accretion Amounts and the application of Recovery Amounts in Write Down Transactions is attached hereto as Exhibit C.



**EXHIBIT B**

**PROOF OF POLICY CLAIM FORM**

## PROOF OF POLICY CLAIM FORM <sup>1</sup>

Date: [ \_\_\_\_\_ ]

**Ambac Assurance Corporation,**  
*as Management Services Provider of  
the Segregated Account of Ambac Assurance Corporation*  
One State Street Plaza  
New York, NY 10004  
Attention: Claims Processing  
Email: [claimsprocessing@ambac.com](mailto:claimsprocessing@ambac.com)  
Facsimile: (212) 208-3404

Reference Policy Number: [ \_\_\_\_\_ ]

Reference is made to (i) the Payment Guidelines for Plan of Rehabilitation Effective [ ] (the "Payment Guidelines"), (ii) the attached claim schedule, which includes detailed information about the Policy Claim made pursuant to this Proof of Policy Claim Form (the "Claim Schedule"), (iii) the Policy issued by Ambac Assurance Corporation ("Ambac"), identified above and on the Claim Schedule (the "Policy"), with respect to the Insured Obligation identified on the Claim Schedule, and (iv) the attached Allocation Schedule, which sets out the application of any Cash paid by the Segregated Account in respect of the preceding Policy Claim (if any) submitted by the Holder in respect of the Policy. Terms capitalized herein and not otherwise defined shall have the meanings ascribed to such terms in or pursuant to the Payment Guidelines or the Policy, as the case may be, unless the context otherwise requires.

The undersigned hereby certifies as follows:

1. The undersigned is a Holder under the Policy and is entitled, pursuant to the provisions of the Policy, to submit a Claim for the "Total Claim Amount" set forth on the Claim Schedule with respect to the Insured Obligations (the "Total Claim Amount").
2. The information set forth on the Claim Schedule and the Allocation Schedule is true, correct and complete.
3. The Total Claim Amount is due for Payment pursuant to the terms of the Policy and the Transaction Documents relating to or governing the Insured Obligation.
4. The undersigned has not previously made a Claim or demand for Payment under the Policy in respect of amounts due on the Insured Obligations on the "Distribution Date" indicated on the Claim Schedule, except as otherwise

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<sup>1</sup> All Policy Claims relating to the same Insured Obligation and Policy must be submitted using this Proof of Policy Claim Form (and Claim Schedule), with a separate Proof of Policy Claim Form (and Claim Schedule) being used for each Claim Period (as defined in the Claim Schedule).

specified in an addendum to this Proof of Policy Claim Form submitted by the Holder herewith and[/or] as specified in the Claims or demands for Payment submitted to Ambac in the form specified by the Policy, copies of which are attached hereto pursuant to paragraph 7.

5. *[Complete for the first Policy Claim made after the Effective Date in respect of the Policy or if the Holder wishes to alter the payment instructions previously provided to the Management Services Provider: The undersigned hereby requests that any portion of the Total Claim Amount to be paid by the Segregated Account in Cash be made to the following account by bank wire transfer of federal or other immediately available funds:*

Bank Name: [ \_\_\_\_\_ ]  
ABA #: [ \_\_\_\_\_ ]  
Acct #: [ \_\_\_\_\_ ]  
Reference: [ \_\_\_\_\_ ]

*OR If the Holder has provided account details previously and these are not changing, please include the following:* The undersigned hereby requests that any portion of the Total Claim Amount to be paid by the Segregated Account in Cash be paid by bank wire transfer of federal or other immediately available funds to the account notified by the undersigned to the Segregated Account and the Management Services Provider pursuant to the Proof of Policy Claim Form dated as of [ ] and relating to the Policy.]

6. *[Complete the following if the Holder is a Trustee and/or agent for the Beneficial Holder of the Insured Obligation:]* The undersigned hereby agrees and confirms that, following receipt of any Cash Payment by the Segregated Account in respect of the Total Claim Amount, (A) it shall (i) cause such funds to be distributed in accordance with the provisions of the Transaction Documents relating to the Insured Obligations, and (ii) maintain an accurate record of such distributions with respect to the Insured Obligations and the corresponding Claim on the Policy and proceeds thereof, and (B) the Cash paid by the Segregated Account in respect of the preceding Policy Claim (if any) submitted by the Holder in respect of the Policy was applied as set forth in the Allocation Schedule.
7. *[If the Policy requires the Holder to submit a claim or demand for payment in a specified form or to have satisfied certain conditions, include the following: ]*  
*[The undersigned has duly completed and submitted to Ambac a claim or demand for Payment in the form specified by the Policy, a copy of which is attached hereto, and all other conditions to the receipt of the Total Claim Amount have been satisfied, and the amount claimed therein is equal to the Total Claim Amount.]*

Without prejudice to (i) the terms and provisions of the Policy and any other related Transaction Documents and (ii) any assignment previously executed, whether pursuant to a Proof of Policy Claim Form or otherwise, the undersigned *[include the following, if applicable:]*

[, in its capacity as Trustee and on behalf of the Beneficial Holders of the Insured Obligation], hereby assigns to Ambac all of its rights, title and interests [*include the following, if applicable:*] [, including rights, title and interests held by it on behalf of the Beneficial Holders of the Insured Obligation,] with respect to the Insured Obligations, to the extent of any Payments by the Segregated Account with respect to such Insured Obligations; the foregoing assignment is in addition to, and not in limitation of, rights of subrogation and/or reimbursement otherwise available to Ambac or the Segregated Account in respect of such Payments. The undersigned shall take such action and deliver such instruments as may be reasonably requested or required by Ambac or the Segregated Account to effectuate the purpose or provisions of the foregoing assignment.

Any oral or written communications to the Holder in respect of this Proof of Policy Claim Form and the Policy Claim made hereunder may be addressed to one of the following persons:

1. [*insert name*], [*address*], [*phone number*] and [*email*]
2. [*insert name*], [*address*], [*phone number*] and [*email*]<sup>2</sup>

**ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD THE SEGREGATED ACCOUNT, THE REHABILITATOR OR OTHER PERSON FILES A STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT ACT, WHICH MAY BE SUBJECT TO CIVIL AND/OR CRIMINAL PENALTY.**

[ \_\_\_\_\_ ],  
as Holder

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

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<sup>2</sup> *Contact details for at least 2 persons at the Holder must be provided. At least 1 contact person must be authorized to discuss operations and settlement matters. The person responsible for operations/settlements should be clearly identified.*



**POLICY CLAIM PAYMENT - ALLOCATION SCHEDULE**

Holder:  
Deal name:  
Policy #:

Total Claim Amount for Policy Claim:  
Cash received in respect of Policy Claim:  
Claim Period\*:  
Payment application date\*\*:

**Insured Obligations by CUSIP (if applicable):**      **Payment applied against Principal:**      **Payment applied against Interest:**      **Total Claim Payment applied:**

XXXXX  
XXXXX

**Total**

\* Claim Period is the period in respect of which the Policy Claim was submitted pursuant to the Claim Schedule.  
For a Deferred Payment, the Claim Period can be identified as "Deferred Payment."

\*\*Payment application date is the date the Policy Claim Payment was paid by the Holder to the Beneficial Holders.

The Holder hereby certifies that the information contained in this Allocation Schedule to be true, correct and up-to-date.

For and on behalf of  
[INSERT NAME OF HOLDER]  
Name:  
Title:  
Date:

**EXHIBIT C**

**EXAMPLE FOR WRITE DOWN TRANSACTIONS**

WRITE DOWN EXAMPLE <sup>1</sup>

The example below is intended to provide a simplified illustration of how Permitted Policy Claims will be paid under the Plan and the Payment Guidelines. For present purposes, it is assumed that there is one Policy insuring only one series of Insured Obligations, secured by one pool of mortgage loan collateral, in a write down transaction, where the outstanding principal balance of the Insured Obligations is reduced by realized losses on the mortgage loans (“Write Down Transaction”). The example covers a period of four months and commences in month one, when the first Claim under the Policy is submitted to the Segregated Account in accordance with the Payment Guidelines.

Shown below are the monthly calculations and Payments associated with Permitted Policy Claims under the Payment Guidelines, including Interim Payments (initially at a 25% Interim Payment Percentage), the creation of Deferred Amounts (including Deferred Loss Amounts and Accretion Amounts), and the effect of Recovery Amounts.

**Month One - Submission of a Policy Claim**

In month one, the Beginning Bond Balance and Beginning Collateral Balance for this transaction are both \$1,000 (A1) and (B1). Principal collections received during the month from payments on the underlying mortgage loans (“Intrinsic Principal”) are \$20 (C1). During the month, the collateral suffers a \$100 realized loss (D1), resulting in a Policy Claim submission of \$100 (“Month One Policy Claim”). The Month One Policy Claim is not Permitted in month one (E1) because it will not have been determined to be a Permitted Policy Claim under the Payment Guidelines. Consequently, there are no Payments in respect of the Month One Policy Claim.

The payment of Intrinsic Principal (\$20) and the \$100 realized loss reduces the Beginning Bond Balance by \$120, resulting in an Ending Bond Balance of \$880 (H1). Together, the \$20 Intrinsic Principal and the \$100 realized loss reduce the Beginning Collateral Balance by \$120, leaving an Ending Collateral Balance of \$880 (I1).

WRITE DOWN TRANSACTION		Deferred Amount; Accretion; and Recovery Example												
Month	Description	Beginning Bond Balance A1	Beginning Collateral Balance B1	Intrinsic Principal C1	Collateral Realized Loss D1	Permitted Policy Claim Amount E1	Interim Payment Amount F1	Recovery Amount G1	Ending Bond Balance H1	Ending Collateral Balance I1	Beginning Deferred Amount J1	Accretion Amount K1	Deferred Loss Amount L1	Ending Deferred Amount M1
1	\$20 Intrinsic principal payment; \$100 claim amount	\$ 1,000	\$ 1,000	\$ 20	\$ 100	0	0	0	\$ 880	\$ 880	0	0	0	0
Calculations									A1 - C1 - D1	B1 - C1 - D1				

<sup>1</sup> Capitalized terms and expressions not defined or explained herein have the meanings given to such terms in the Payment Guidelines. Amounts used in this example are representative only, and do not reflect any actual claims and are based on assumptions that may not be applicable to any particular policy. The calculations, and events specified in the example are based on assumptions made for illustrative purposes only and may not reflect what may occur in reality or in the future. The Rehabilitator will make determinations in respect of payments by the Segregated Account in his sole and absolute discretion, in accordance with the Plan and the Payment Guidelines.



**Month Two – Interim Payment and Creation of Deferred Amount**

In month two, the Beginning Bond Balance is \$880 (A2) and the Beginning Collateral Balance is \$880 (B2). Intrinsic Principal for month two is \$35 (C2). During the month the collateral suffers an \$80 realized loss (D2), resulting in a Policy Claim submission of \$80 (“Month Two Policy Claim”).

The Month Two Policy Claim is not Permitted in month two because it will not have been determined to be a Permitted Policy Claim under the Payment Guidelines. Consequently, there are no Payments in respect of the Month Two Policy Claim.

The Month One Policy Claim is determined by the Rehabilitator to be a Permitted Policy Claim (E2). An Interim Payment of \$25 (F2) is made, an amount equal to 25% of the Month One Policy Claim. In addition, a Deferred Loss Amount of \$75 (L2) is established in respect of the Month One Policy Claim. There are no Accretion Amounts in month two in respect of any Permitted Policy Claim (K2).

The payment of Intrinsic Principal (\$35) and the \$80 realized loss together reduce the Beginning Bond Balance for the month by \$115, leaving an Ending Bond Balance of \$765 (H2). (The Interim Payment in respect of the Month One Policy Claim (\$25) does not reduce the Beginning Bond Balance for the month because it represents payment of an amount in respect of losses that reduced the principal balance of the bonds in prior periods.) Application of the \$35 Intrinsic Principal and the \$80 realized loss reduces the Beginning Collateral Balance for the month by \$115, leaving an Ending Collateral Balance of \$765 (I2).

WRITE DOWN TRANSACTION (Deferred Amount; Accretion; and Recovery Example)														
Month	Description	Beginning Bond Balance	Beginning Collateral Balance	Intrinsic Principal	Collateral Realized Loss	Permitted Policy Claim Amount	Interim Payment Amount	Recovery Amount	Ending Bond Balance	Ending Collateral Balance	Beginning Deferred Amount	Accretion Amount	Deferred Loss Amount	Ending Deferred Amount
		A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1	M1
1	\$20 intrinsic principal payment; \$100 claim amount	\$ 1,000	\$ 1,000	\$ 20	\$ 100	0	0	0		\$ 880	\$ 880	0	0	0
Calculations									A1 - C1 - D1	B1 - C1 - D1				
2	\$35 intrinsic principal payment; \$80 claim amount; 25% month 1 Interim Payment; 75% Deferred Amount created	\$ 880	\$ 880	\$ 35	\$ 80	\$ 100	\$ 25	0	\$ 765	\$ 765	0	0	\$ 75	\$ 75
Calculations		H1	I1			D1	E2 x 25%		A2 - C2 - D2 + F2 - F2	B2 - C2 - D2	M1		E2 - F2	J2 + K2 + L2 - G2

**Month Three – Accretion on Deferred Amounts in respect of Month One Policy Claim**

In month three, the Beginning Bond Balance is \$765 (A3) and the Beginning Collateral Balance is \$765 (B3). Intrinsic Principal for month three is \$25 (C3). During the month the collateral suffers a \$100 realized loss (D3), resulting in a Policy Claim submission of \$100 (“Month Three Policy Claim”).

The Month Three Policy Claim is not Permitted in month three because it will not have been determined to be a Permitted Policy Claim under the Payment Guidelines. Consequently, there are no Payments in respect of the Month Three Policy Claim.

The Beginning Deferred Amount in month three is \$75 (J3).

The Month Two Policy Claim is determined by the Rehabilitator to be a Permitted Policy Claim (E3). An Interim Payment of \$20 (F3) is made, an amount equal to 25% of the Month Two Policy Claim. In addition, a Deferred Loss Amount of \$60 (L3) is established in respect of the Month Two Policy Claim.

The Accretion Amount in month three is \$0.31 (K3), which represents the effective annual rate of 5.1% on the Beginning Deferred Amount of \$75 (J3).

The Ending Deferred Amount for month three is \$135.31 (M3), which is the sum of: (i) the Beginning Deferred Amount of \$75 (J3) established in respect of the Month One Policy Claim, (ii) the Accretion Amount of \$0.31 (K3) and (iii) the Deferred Loss Amount of \$60 (L3) established in respect of the Month Two Policy Claim.

The payment of month three Intrinsic Principal (\$25) and the \$100 realized loss together reduce the Beginning Bond Balance for the month by \$125, leaving an Ending Bond Balance of \$640 (H3). (The Interim Payment in respect of the Month Two Policy Claim (\$20) does not reduce the Beginning Bond Balance for the month.) Application of the \$25 Intrinsic Principal and the \$100 realized loss reduces the Beginning Collateral Balance by \$125, leaving an Ending Collateral Balance of \$640 (I3).

WRITE DOWN TRANSACTION (Deferred Amount; Accretion; and Recovery Example)														
Month	Description	Beginning Bond Balance	Beginning Collateral Balance	Intrinsic Principal	Collateral Realized Loss	Permitted Policy Claim Amount	Interim Payment Amount	Recovery Amount	Ending Bond Balance	Ending Collateral Balance	Beginning Deferred Amount	Accretion Amount	Deferred Loss Amount	Ending Deferred Amount
		A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1	M1
1	\$20 intrinsic principal payment; \$100 claim amount	\$ 1,000	\$ 1,000	\$ 20	\$ 100	0	0	0	\$ 880	\$ 880	0	0	0	0
Calculations									A1 - C1 - D1	B1 - C1 - D1				
2	\$35 intrinsic principal payment; \$80 claim amount; 25% month 1 Interim Payment; 75% Deferred Amount created	\$ 880	\$ 880	\$ 35	\$ 80	\$ 100	\$ 25	0	\$ 765	\$ 765	0	0	\$ 75	\$ 75
Calculations		H1	I1		D1	E2 x 25%			A2 - C2 - D2 + F2 - F2	B2 - C2 - D2	M1		E2 - F2	J2 + K2 + L2 - G2
3	\$25 intrinsic principal payment; \$100 claim amount; 25% month 2 Interim Payment; ending Deferred Amount of \$135.32 (including \$0.32 accretion amount)	\$ 765	\$ 765	\$ 25	\$ 100	\$ 80	\$ 20	0	\$ 640	\$ 640	\$ 75	\$ 0.31	\$ 60	\$ 135.31
Calculations		H2	I2		D2	E3 x 25%			A3 - C3 - D3 + F3 - F3	B3 - C3 - D3	M2	J3 x (4.98%/12)	E3 - F3	J3 + K3 + L3 - G3

### Month Four – Effect of Recovery Amounts

In month four, the Beginning Bond Balance is \$640 (A4) and the Beginning Collateral Balance is \$640 (B4). Intrinsic Principal for month four is \$30 (C4). The transaction receives \$60 (G4) as a Recovery Amount in respect of realized losses incurred in prior months. During the month the collateral suffers an \$80 realized loss (D4), resulting in a Policy Claim submission of \$80 (“Month Four Policy Claim”).

The Month Four Policy Claim is not Permitted in month four, because it will not have been determined to be a Permitted Policy Claim under the Payment Guidelines. Consequently, there are no Payments in respect of the Month Four Policy Claim.

In month four, the Beginning Deferred Amount is \$135.31 (J4).

The Month Three Policy Claim is determined by the Rehabilitator to be a Permitted Policy Claim (E4). An Interim Payment of \$25 (F4) is made, an amount equal to 25% of the Month Three Policy Claim. In addition, a Deferred Loss Amount of \$75 (L4) is established in respect of the Month Three Policy Claim.

The Accretion Amount in month four is \$0.56 (K4), which represents the effective annual rate of 5.1% on the Beginning Deferred Amount of \$135.31 (J4).

The Ending Deferred Amount for month four is \$150.87 (M4), which is equal to: (a) the sum of (i) the Beginning Deferred Amount of \$135.31 (J4), (ii) the Accretion Amount of \$0.56 (K4), and (iii) the Deferred Loss Amount of \$75 (L4) established in respect of the Month Three Policy Claim (which sum is \$210.87), reduced by (b) the \$60 Recovery Amount (G4) realized in month four.

The payment of month four Intrinsic Principal (\$30) and the \$80 realized loss together reduce the Beginning Bond Balance by \$110, leaving an Ending Bond Balance of \$530 (H4). (Neither the Interim Payment in respect of the Month Three Policy Claim (\$25) nor the Recovery Amount realized in month four (\$60) reduces the Beginning Bond Balance for the month.) Application of the \$30 Intrinsic Principal, and the \$80 realized loss reduces the Beginning Collateral Balance by \$110, leaving an Ending Collateral Balance of \$530 (I4).<sup>2</sup>

WRITE DOWN TRANSACTION (Deferred Amount; Accretion; and Recovery Example)														
Month	Description	Beginning Bond Balance	Beginning Collateral Balance	Intrinsic Principal	Collateral Realized Loss	Permitted Policy Claim Amount	Interim Payment Amount	Recovery Amount	Ending Bond Balance	Ending Collateral Balance	Beginning Deferred Amount	Accretion Amount	Deferred Loss Amount	Ending Deferred Amount
		A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1	M1
1	\$20 intrinsic principal payment; \$100 claim amount	\$ 1,000	\$ 1,000	\$ 20	\$ 100	0	0	0	\$ 880	\$ 880	0	0	0	0
Calculations									A1 - C1 - D1	B1 - C1 - D1				
2	\$35 intrinsic principal payment; \$80 claim amount; 25% month 1 Interim Payment; 75% Deferred Amount created	\$ 880	\$ 880	\$ 35	\$ 80	\$ 100	\$ 25	0	\$ 765	\$ 765	0	0	\$ 75	\$ 75
Calculations		H1	I1			D1	E2 x 25%		A2 - C2 - D2 + F2 - F2	B2 - C2 - D2	M1		E2 - F2	J2 + K2 + L2 - G2
3	\$25 intrinsic principal payment; \$100 claim amount; 25% month 2 Interim Payment; ending Deferred Amount of \$135.32 (including \$.32 accretion amount)	\$ 765	\$ 765	\$ 25	\$ 100	\$ 80	\$ 20	0	\$ 640	\$ 640	\$ 75	\$ 0.31	\$ 60	\$ 135.31
Calculations		H2	I2			D2	E3 x 25%		A3 - C3 - D3 + F3 - F3	B3 - C3 - D3	M2	J3 x (4.98%/12)	E3 - F3	J3 + K3 + L3 - G3
4	\$30 intrinsic principal payment; \$80 claim amount; 25% month 3 Interim Payment; \$60 Recovery; ending Deferred Amount of \$150.90	\$ 640	\$ 640	\$ 30	\$ 80	\$ 100	\$ 25	\$ 60	\$ 530	\$ 530	\$ 135.31	\$ 0.56	\$ 75	\$150.87
Calculations		H3	I3			D3	E4 x 25%		A4 - C4 - D4 + F4 + G4 - G4	B4 - C4 - D4	M3	J4 x (4.98%/12)	E4 - F4	J4 + K4 + L4 - G4

<sup>2</sup> The month four Ending Bond Balance of \$530 (H4) reconciles with the month one Beginning Bond Balance of \$1,000 (A1) as follows:

Month one Beginning Bond Balance (\$1,000, A1) MINUS: (i) the sum of all payments of Intrinsic Principal (C1 + C2 + C3 + C4 = \$110); (ii) the sum of all Interim Payments (F2 + F3 + F4 = \$70); (iii) the sum of all Recovery Amounts (G4 = \$60); (iv) the Month Four Policy Claim (\$80, D4), which is not yet a Permitted Policy Claim; and (v) the month four Deferred Loss Amount (\$150, M4 without considering accretion), EQUALS the month four Ending Bond Balance (\$530, H4).

**EXHIBIT D**

**EXAMPLE FOR UNDERCOLLATERALIZED TRANSACTIONS**

## UNDERCOLLATERALIZED EXAMPLE <sup>1</sup>

The example below is intended to provide a simplified illustration of how Permitted Policy Claims will be paid under the Plan and the Payment Guidelines. For present purposes, it is assumed that there is one Policy insuring only one series of Insured Obligations, secured by one pool of mortgage loan collateral, in an undercollateralizing transaction, where the outstanding principal balance of the Insured Obligations is not reduced by realized losses on the mortgage loans (“Undercollateralized Transaction”). The example covers a period of four months and commences in month one, when the first Claim under the Policy is submitted to the Segregated Account in accordance with the Payment Guidelines.

Shown below are the monthly calculations and Payments associated with Permitted Policy Claims under the Payment Guidelines, including Interim Payments (initially at a 25% Interim Payment Percentage), the creation of Deferred Amounts (including Deferred Loss Amounts and Accretion Amounts) and the effect of Recovery Amounts.

### Month One - Submission of a Policy Claim

In month one, the Beginning Bond Balance and Beginning Collateral Balance for this transaction are both \$1,000 (A1) and (B1). Principal collections received during the month from payments on the underlying mortgage loans (“Intrinsic Principal”) are \$20 (C1). During the month, the collateral suffers a \$100 realized loss (D1), resulting in a Policy Claim submission of \$100 (“Month One Policy Claim”). The Month One Policy Claim is not Permitted in month one (E1) because it will not have been determined to be a Permitted Policy Claim under the Payment Guidelines. Consequently, there are no Payments in respect of the Month One Policy Claim.

The payment of Intrinsic Principal reduces the Beginning Bond Balance by \$20, resulting in an Ending Bond Balance of \$980 (H1). Together, the \$20 Intrinsic Principal and the \$100 realized loss reduce the Beginning Collateral Balance by \$120, leaving an Ending Collateral Balance of \$880 (I1).

UNDERCOLLATERALIZED TRANSACTION (Deferred Amount; Accretion; and Recovery Example)														
Month	Description	Beginning Bond Balance	Beginning Collateral Balance	Intrinsic Principal	Collateral Realized Loss	Permitted Policy Claim Amount	Interim Payment Amount	Recovery Amount	Ending Bond Balance	Ending Collateral Balance	Beginning Deferred Amount	Accretion Amount	Deferred Loss Amount	Ending Deferred Amount
		A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1	M1
1	\$20 intrinsic principal payment; \$100 principal loss claim amount	\$ 1,000	\$ 1,000	\$ 20	\$ 100	0	0	0	\$ 980	\$ 880	0	0	0	0
Calculations									A1 - C1 - F1 - G1	B1 - C1 - D1				

<sup>1</sup> Capitalized terms and expressions not defined or explained herein have the meanings given to such terms in the Payment Guidelines. Amounts used in this example are representative only, and do not reflect any actual claims and are based on assumptions that may not be applicable to any particular policy. The calculations, and events specified in the example are based on assumptions made for illustrative purposes only and may not reflect what may occur in reality or in the future. The Rehabilitator will make determinations in respect of payments by the Segregated Account in his sole and absolute discretion, in accordance with the Plan and the Payment Guidelines.

### Month Two – Interim Payment and Creation of Deferred Amount

In month two, the Beginning Bond Balance is \$980 (A2) and the Beginning Collateral Balance is \$880 (B2). Intrinsic Principal for month two is \$35 (C2). During the month the collateral suffers an \$80 realized loss (D2), resulting in a Policy Claim submission of \$80 (“Month Two Policy Claim”).

The Month Two Policy Claim is not Permitted in month two because it will not have been determined to be a Permitted Policy Claim under the Payment Guidelines. Consequently, there are no Payments in respect of the Month Two Policy Claim.

The Month One Policy Claim is determined by the Rehabilitator to be a Permitted Policy Claim (E2). An Interim Payment of \$25 (F2) is made, an amount equal to 25% of the Month One Policy Claim. In addition, a Deferred Loss Amount of \$75 (L2) is established in respect of the Month One Policy Claim. There are no Accretion Amounts in month two in respect of any Permitted Policy Claim (K2).

The payment of Intrinsic Principal (\$35) and the Interim Payment in respect of the Month One Policy Claim (\$25) together reduce the Beginning Bond Balance for the month by \$60, leaving an Ending Bond Balance of \$920 (H2). Application of the \$35 Intrinsic Principal and the \$80 realized loss reduces the Beginning Collateral Balance for the month by \$115, leaving an Ending Collateral Balance of \$765 (I2).

UNDERCOLLATERALIZED TRANSACTION (Deferred Amount; Accretion; and Recovery Example)																			
Month	Description	Beginning Bond Balance	Beginning Collateral Balance	Intrinsic Principal	Collateral Realized Loss	Permitted Policy Claim Amount	Interim Payment Amount	Recovery Amount	Ending Bond Balance	Ending Collateral Balance	Beginning Deferred Amount	Accretion Amount	Deferred Loss Amount	Ending Deferred Amount					
		A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1	M1					
1	\$20 intrinsic principal payment; \$100 principal loss claim amount	\$ 1,000	\$ 1,000	\$ 20	\$ 100	0	0	0	\$ 980	\$ 880	0	0	0	0					
Calculations									A1 - C1 - F1 - G1	B1 - C1 - D1									
		A2	B2	C2	D2	E2	F2	G2	H2	I2	J2	K2	L2	M2					
2	\$35 intrinsic principal payment; \$80 principal loss claim amount; 25% month 1 Interim Payment; 75% Deferred Amount created	\$ 980	\$ 880	\$ 35	\$ 80	\$ 100	\$ 25	0	\$ 920	\$ 765	0	0	\$ 75	\$ 75					
Calculations									H1	I1			D1	E2 x 25%	A2 - C2 - F2 - G2	B2 - C2 - D2	M1	E2 - F2	J2 + K2 + L2 - G2

### Month Three – Accretion on Deferred Amounts in respect of Month One Policy Claim

In month three, the Beginning Bond Balance is \$920 (A3) and the Beginning Collateral Balance is \$765 (B3). Intrinsic Principal for month three is \$25 (C3). During the month the collateral suffers a \$100 realized loss (D3), resulting in a Policy Claim submission of \$100 (“Month Three Policy Claim”).

The Month Three Policy Claim is not Permitted in month three because it will not have been determined to be a Permitted Policy Claim under the Payment Guidelines. Consequently, there are no Payments in respect of the Month Three Policy Claim.

The Beginning Deferred Amount in month three is \$75 (J3).

The Month Two Policy Claim is determined by the Rehabilitator to be a Permitted Policy Claim (E3). An Interim Payment of \$20 (F3) is made, an amount equal to 25% of the Month Two Policy Claim. In addition, a Deferred Loss Amount of \$60 (L3) is established in respect of the Month Two Policy Claim.

The Accretion Amount in month three is \$0.31 (K3), which represents the effective annual rate of 5.1% on the Beginning Deferred Amount of \$75 (J3).

The Ending Deferred Amount for month three is \$135.31 (M3), which is the sum of: (i) the Beginning Deferred Amount of \$75 (J3) established in respect of the Month One Policy Claim, (ii) the Accretion Amount of \$0.31 (K3) and (iii) the Deferred Loss Amount of \$60 (L3) established in respect of the Month Two Policy Claim.

The payment of month three Intrinsic Principal (\$25) and the Interim Payment in respect of the Month Two Policy Claim (\$20) together reduce the Beginning Bond Balance for the month by \$45, leaving an Ending Bond Balance of \$875 (H3). Application of the \$25 Intrinsic Principal and the \$100 realized loss reduces the Beginning Collateral Balance by \$125, leaving an Ending Collateral Balance of \$640 (I3).

UNDERCOLLATERALIZED TRANSACTION (Deferred Amount; Accretion; and Recovery Example)														
Month	Description	Beginning Bond Balance	Beginning Collateral Balance	Intrinsic Principal	Collateral Realized Loss	Permitted Policy Claim Amount	Interim Payment Amount	Recovery Amount	Ending Bond Balance	Ending Collateral Balance	Beginning Deferred Amount	Accretion Amount	Deferred Loss Amount	Ending Deferred Amount
		A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1	M1
1	\$20 intrinsic principal payment; \$100 principal loss claim amount	\$ 1,000	\$ 1,000	\$ 20	\$ 100	0	0	0	\$ 980	\$ 880	0	0	0	0
Calculations									A1 - C1 - F1 - G1	B1 - C1 - D1				
		A2	B2	C2	D2	E2	F2	G2	H2	I2	J2	K2	L2	M2
2	\$35 intrinsic principal payment; \$80 principal loss claim amount; 25% month 1 Interim Payment; 75% Deferred Amount created	\$ 980	\$ 880	\$ 35	\$ 80	\$ 100	\$ 25	0	\$ 920	\$ 765	0	0	\$ 75	\$ 75
Calculations		H1	I1			D1	E2 x 25%		A2 - C2 - F2 - G2	B2 - C2 - D2	M1		E2 - F2	J2 + K2 + L2 - G2
		A3	B3	C3	D3	E3	F3	G3	H3	I3	J3	K3	L3	M3
3	\$25 intrinsic principal payment; \$100 principal loss claim amount; 25% month 2 Interim Payment; ending Deferred Amount of \$135.32 (including \$0.32 Accretion Amount)	\$ 920	\$ 765	\$ 25	\$ 100	\$ 80	\$ 20	0	\$ 875	\$ 640	\$ 75	\$ 0.31	\$ 60	\$ 135.31
Calculations		H2	I2			D2	E3 x 25%		A3 - C3 - F3 - G3	B3 - C3 - D3	M2	J3 x (4.98%/12)	E3 - F3	J3 + K3 + L3 - G3

### Month Four – Effect of Recovery Amounts

In month four, the Beginning Bond Balance is \$875 (A4) and the Beginning Collateral Balance is \$640 (B4). Intrinsic Principal for month four is \$30 (C4). The transaction receives \$60 (G4) as a Recovery Amount in respect of realized losses incurred in prior months. During the month the collateral suffers an \$80 realized loss (D4), resulting in a Policy Claim submission of \$80 (“Month Four Policy Claim”).

The Month Four Policy Claim is not Permitted in month four, because it will not have been determined to be a Permitted Policy Claim under the Payment Guidelines. Consequently, there are no Payments in respect of the Month Four Policy Claim.

In month four, the Beginning Deferred Amount is \$135.31 (J4).

The Month Three Policy Claim is determined by the Rehabilitator to be a Permitted Policy Claim (E4). An Interim Payment of \$25 (F4) is made, an amount equal to 25% of the Month Three Policy Claim. In addition, a Deferred Loss Amount of \$75 (L4) is established in respect of the Month Three Policy Claim.

The Accretion Amount in month four is \$0.56 (K4), which represents the effective annual rate of 5.1% on the Beginning Deferred Amount of \$135.31 (J4).

The Ending Deferred Amount for month four is \$150.87 (M4), which is equal to: (a) the sum of (i) the Beginning Deferred Amount of \$135.31 (J4), (ii) the Accretion Amount of \$0.56 (K4), and (iii) the Deferred Loss Amount of \$75 (L4) established in respect of the Month Three Policy Claim (which sum is \$210.87), reduced by (b) the \$60 Recovery Amount (G4) realized in month four.

The payment of month four Intrinsic Principal (\$30), the Interim Payment in respect of the Month Three Policy Claim (\$25) and the Recovery Amount realized in month four (\$60), together reduce the Beginning Bond Balance by \$115, leaving an Ending Bond Balance of \$760 (H4). Application of the \$30 Intrinsic Principal, and the \$80 realized loss reduces the Beginning Collateral Balance by \$110, leaving an Ending Collateral Balance of \$530 (I4).<sup>2</sup>

UNDERCOLLATERALIZED TRANSACTION (Deferred Amount; Accretion; and Recovery Example)														
Month	Description	Beginning Bond Balance	Beginning Collateral Balance	Intrinsic Principal	Collateral Realized Loss	Permitted Policy Claim Amount	Interim Payment Amount	Recovery Amount	Ending Bond Balance	Ending Collateral Balance	Beginning Deferred Amount	Accretion Amount	Deferred Loss Amount	Ending Deferred Amount
		A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1	M1
1	\$20 intrinsic principal payment; \$100 principal loss claim amount	\$ 1,000	\$ 1,000	\$ 20	\$ 100		0	0	\$ 980	\$ 880	0	0	0	0
Calculations									A1 - C1 - F1 - G1	B1 - C1 - D1				
		A2	B2	C2	D2	E2	F2	G2	H2	I2	J2	K2	L2	M2
2	\$35 intrinsic principal payment; \$80 principal loss claim amount; 25% month 1 Interim Payment; 75% Deferred Amount created	\$ 980	\$ 880	\$ 35	\$ 80	\$ 100	\$ 25	0	\$ 920	\$ 765	0	0	\$ 75	\$ 75
Calculations		H1	I1			D1	E2 x 25%		A2 - C2 - F2 - G2	B2 - C2 - D2	M1		E2 - F2	J2 + K2 + L2 - G2
		A3	B3	C3	D3	E3	F3	G3	H3	I3	J3	K3	L3	M3
3	\$25 intrinsic principal payment; \$100 principal loss claim amount; 25% month 2 Interim Payment; ending Deferred Amount of \$135.32 (including \$ .32 Accretion Amount)	\$ 920	\$ 765	\$ 25	\$ 100	\$ 80	\$ 20	0	\$ 875	\$ 640	\$ 75	\$ 0.31	\$ 60	\$ 135.31
Calculations		H2	I2			D2	E3 x 25%		A3 - C3 - F3 - G3	B3 - C3 - D3	M2	J3 x (4.98%/12)	E3 - F3	J3 + K3 + L3 - G3
		A4	B4	C4	D4	E4	F4	G4	H4	I4	J4	K4	L4	M4
4	\$30 intrinsic principal payment; \$80 claim amount; 25% month 3 Interim Payment; \$60 Recovery; ending Deferred Amount of \$150.90	\$ 875	\$ 640	\$ 30	\$ 80	\$ 100	\$ 25	\$ 60	\$ 760	\$ 530	\$ 135.31	\$ 0.56	\$ 75	\$150.87
Calculations		H3	I3			D3	E4 x 25%		A4 - C4 - F4 - G4	B4 - C4 - D4	M3	J4 x (4.98%/12)	E4 - F4	J4 + K4 + L4 - G4

<sup>2</sup> Note that in order to reconcile the Deferred Loss Amount (\$150 in month four (M4 without considering accretion)) to the Undercollateralized amount (\$230 (H4 minus I4)), the Month Four Policy Claim (\$80 (D4)), which will not yet have been determined to be a Permitted Policy Claim under the Payment Guidelines, must be added to the Deferred Loss Amount.



## REALLOCATION OF DEFERRED LOSS AMOUNT EXAMPLE <sup>1</sup>

Pursuant to the Payment Guidelines, Deferred Loss Amounts are calculated and allocated to Insured Obligations, including multiple classes of Insured Obligations insured under a single Policy. Situations can arise where the Deferred Loss Amount with respect to a single Policy remains unchanged, but due to the priority of payments under the Transaction Documents, the Deferred Loss Amounts allocated to multiple classes of Insured Obligations under such Policy no longer reflect the losses that each such Insured Obligation has incurred. This could result in a situation where Deferred Loss Amounts are overstated for some Insured Obligations and understated for others. To ensure that any Deferred Payments will be applied accurately, the Rehabilitator may, in his sole and absolute discretion, reallocate Deferred Loss Amounts among classes of Insured Obligations insured by a single Policy to the extent necessary to ensure that the Deferred Loss Amounts reflect the actual losses allocated to the Insured Obligations under the Transaction Documents.

Upon reallocation of a Deferred Loss Amount from one Insured Obligation to another, there shall be no further accretion on such reallocated Deferred Loss Amount in respect of the Insured Obligation from which the Deferred Loss Amount was reallocated. However, Accretion Amounts that accrued prior to such transfer shall remain with the Beneficial Holders of the Insured Obligation from which the Deferred Loss Amount was reallocated, and will continue to accrete in accordance with the Payment Guidelines.

The example below is intended to provide a simplified illustration of how Deferred Loss Amounts may be allocated and reallocated among multiple classes of Insured Obligations insured by one Policy under the Plan and the Payment Guidelines in one set of circumstances.

For present purposes, it is assumed that: (i) there is one Policy insuring two classes of Insured Obligations, Class A1 and Class A2, (ii) principal amounts under the Transaction Documents are paid first to the Class A1 bond, the most senior Insured Obligation (until its balance is reduced to zero) and then to the Insured Obligation in next order of priority, the Class A2 bond (until its balance is reduced to zero) (a "Sequential Pay Transaction"), (iii) the Insured Obligations are secured by one pool of mortgage loan collateral, where the outstanding principal balance of the Insured Obligations is not reduced by realized losses on the mortgage loans (an "Undercollateralized Transaction"), (iv) initially, only the Class A1 bond has a Deferred Loss Amount and (v) there are no Deferred Payments made. The example covers a period of two months and commences in month one, when the first reallocation of Deferred Loss Amounts between different classes of Insured Obligations occurs.

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<sup>1</sup> Capitalized terms and expressions not defined or explained herein have the meanings given to such terms in the Payment Guidelines. Amounts used in this example are representative only, and do not reflect any actual claims and are based on assumptions that may not be applicable to any particular policy. The calculations, and events specified in the example are based on assumptions made for illustrative purposes only and may not reflect what may occur in reality or in the future. The Rehabilitator will make determinations in respect of payments by the Segregated Account in his sole and absolute discretion, in accordance with the Plan and the Payment Guidelines.

Shown below are the monthly calculations and reallocation of Deferred Loss Amounts among two classes of Insured Obligations under the Payment Guidelines. The Deferred Loss Amounts are reallocated as a result of the payment in full of the most senior Insured Obligation in a Sequential Pay Transaction in accordance with the terms and conditions of the Transaction Documents.

**Month One - Reallocation of Deferred Loss Amount among Insured Obligations of Sequential Pay Transaction**

In month one, the Beginning Bond Balance for the Class A1 bond is \$90 and for the Class A2 bond is \$120 (A1). The Beginning Collateral Balance for this transaction is \$130 (B1), reflecting prior realized losses of \$80, resulting in the Transaction being undercollateralized by an equal amount. Principal collections received during the month from payments on the underlying mortgage loans ("Intrinsic Principal") are \$60 (E1). During the month, the collateral suffers no additional realized loss (G1), resulting in no Policy Claim for the month. There are no outstanding Permitted Policy Claims and the Rehabilitator has not declared a Deferred Payment, consequently, there are no Interim or Deferred Payments made on account of the Insured Obligations.

Because this is a Sequential Pay Transaction, Intrinsic Principal is paid first to the Class A1 senior bond to reduce the Beginning Bond Balance of the Class A1 bond by \$60, resulting in an Ending Bond Balance for the Class A1 bond of \$30 (I1) and since there is no additional Intrinsic Principal, there is no payment made to the Class A2 bond, leaving its Ending Bond Balance at \$120 (I1). The \$60 Intrinsic Principal reduces the Beginning Collateral Balance of \$130 by \$60, leaving an Ending Collateral Balance of \$70 (J1).

The Beginning Deferred Amount for the Class A1 bond is \$80 and for the Class A2 bond is \$0 (D1).

The Accretion Amount for month one for Class A1 is \$0.33 (K1), which represents accretion at the effective annual rate of 5.1% on the Beginning Deferred Amount of \$80 (D1). There is no Accretion Amount for Class A2 as it does not have any outstanding Deferred Amount.

At the beginning of the month, the Class A1 bond was \$80 undercollateralized (C1) and the Class A2 bond had no undercollateralization (C1). After the payment of Intrinsic Principal of \$60 to the Class A1 bond, the Class A1 bond's share of the \$80 undercollateralization is \$30 and the Class A2 bond's share of the \$80 undercollateralization is \$50.

The Deferred Loss Amount on the transaction as a whole has not been reduced by either Deferred Payments or Recovery Amounts, and remains unchanged at \$80. However, the allocation of the Deferred Loss Amount among the two classes of Insured Obligations must be modified due to the reduction in Bond Balance of the Class A1 bonds below the Class A1 bond Deferred Loss Amount. This reduction in Bond Balance of the Class A1 bond results in a shift in the allocation of the undercollateralization of the Transaction to the Class A2 bond, requiring a corresponding shift of the Deferred Loss Amount from the Class A1 bond to the Class A2 bond.

The Deferred Loss Amount allocated to the Class A1 Bond is reduced from \$80 to \$30 (L1), reflecting the receipt by the Class A1 bond of \$60 Intrinsic Principal and the reduction of its undercollateralization. The remaining \$50 of Deferred Loss Amount is allocated to the Class A2 bond (L1).

The Ending Deferred Amount for the Class A1 bond is \$30.33 (L1), which is the sum of: (i) the Beginning Deferred Amount of \$80 (D1), plus (ii) the Accretion Amount of \$0.33 (K1) minus (iii) the Deferred Loss Amount of \$50 reallocated to the Class A2 bond from the Class A1 bond.

The Ending Deferred Amount for the Class A2 bond is \$50 (L1), which is the sum of: (i) the Beginning Deferred Amount of \$0 (D1), plus (ii) the Accretion Amount of \$0 (K1) plus (iii) the Deferred Loss Amount of \$50 reallocated to the Class A2 bond from the Class A1 bond.

UNDERCOLLATERALIZED TRANSACTION (Reallocation of Deferred Amounts Example)												
Description	Beginning Bond Balance	Beginning Collateral Balance	Undercollateralization Allocation	Beginning Deferred Amounts	Intrinsic Principal	Intrinsic Principal Allocation	Collateral Realized Loss	Permitted Policy Claim Amount	Ending Bond Balance	Ending Collateral Balance	Accretion Amounts	Ending Deferred Amounts
	A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1
\$60 Intrinsic Principal payment; \$0 Collateral Realized Loss	\$90 Class A1 \$120 Class A2	\$ 130	\$80 Class A1 \$0 Class A2	\$80 Class A1 \$0 Class A2	\$ 60	\$60 Class A1 \$0 Class A2	-	-	\$30 Class A1 \$120 Class A2	\$ 70	\$.33 Class A1 \$0 Class A2	\$30.33 Class A1 \$50 Class A2
Calculations									A1 - E1	B1 - E1	D1 x (4.98%/12)	

### **Month Two - Reallocation of Deferred Loss Amount among Insured Obligations of Sequential Pay Transaction**

In month two, the Beginning Bond Balance for Class A1 bond is \$30 and for Class A2 bond is \$120 (A2). The Beginning Collateral Balance for month two is \$70 (B2) and the Transaction is undercollateralized by \$80. Intrinsic Principal received is \$50 (E2). During the month, the collateral suffers no additional realized loss (G2), resulting in no Policy Claim for the month. There are no outstanding Permitted Policy Claims, consequently, there are no Payments made to the Insured Obligations in respect of either Permitted Policy Claims or Deferred Amounts.

Because this is a Sequential Pay Transaction, Intrinsic Principal is paid first to Class A1 senior bond reducing the Beginning Bond Balance of Class A1 bond by \$30, resulting in an Ending Bond Balance for the Class A1 bond of \$0 (I2). The remainder of Intrinsic Principal of \$20 is paid to the Class A2 bond reducing the Beginning Bond Balance of the Class A2 bond by \$20, resulting in an Ending Bond Balance for the Class A2 bond of \$100 (I2). The \$50 Intrinsic Principal reduces the Beginning Collateral Balance of \$70 by \$50, leaving an Ending Collateral Balance of \$20 (J2).

The Beginning Deferred Amount for the Class A1 bond is \$30.33 and for the Class A2 bond is \$50 (D2).

The Accretion Amount for month two for Class A1 bond is \$0.13 (K2), which represents accretion at the effective annual rate of 5.1% on the Beginning Deferred Amount of \$30.33 (D2) and the Accretion Amount for Class A2 bond is \$0.21 (K2), which represents accretion at the effective annual rate of 5.1% on the Beginning Deferred Amount of \$50 (D2).

At beginning of the month, the Class A1 bond was \$30 undercollateralized (C2) and the Class A2 bond was \$50 undercollateralized (C2). After the payment of Intrinsic Principal, the Class A1 bond is fully paid and the Class A2 bond is undercollateralized by \$80.

After the payment of the \$50 of Intrinsic Principal to the Class A1 bond and Class A2 bond, the undercollateralization of the transaction, as a whole, remains unchanged at \$80, but now resides solely with the Class A2 bond. The Deferred Loss Amount on the transaction as a whole remains unchanged at \$80. However, the Deferred Loss Amounts among the two Classes of Insured Obligations must be reallocated due to the reduction in Bond Balance of the Class A1 bond that has shifted the allocation of the undercollateralization of the Transaction to the Class A2 bond.

The Deferred Loss Amount allocated to the Class A1 Bond is reduced from \$30 to \$0 (L2), reflecting the receipt of the Class A1 bond of \$30 Intrinsic Principal. The Deferred Loss Amount of \$30 that was allocated to the Class A1 bond is reallocated to the Class A2 bond, increasing its Deferred Loss Amount from \$50 to \$80 (L2). The Accretion Amount for the Class A1 bond of \$0.46 remains with the Class A1 bond and is not reallocated (L2).

The Ending Deferred Amount for month two for Class A1 is \$0.46 (L2), which is the sum of: (i) the Beginning Deferred Amount of \$30.33 (D2), plus (ii) the Accretion Amount of \$0.13 (K2) minus (iii) the Deferred Loss Amount of \$30 reallocated to the Class A2 bond from the Class A1 bond.

The Ending Deferred Amount for month two for Class A2 is \$80.21 (L2), which is the sum of: (i) the Beginning Deferred Amount of \$50 (D2), plus (ii) the Accretion Amount of \$0.21 (K2) plus (iii) the Deferred Loss Amount of \$30 reallocated to the Class A2 bond from the Class A1 bond.

UNDERCOLLATERALIZED TRANSACTION (Reallocation of Deferred Amounts Example)												
Description	Beginning Bond Balance	Beginning Collateral Balance	Undercollateralization Allocation	Beginning Deferred Amounts	Intrinsic Principal	Intrinsic Principal Allocation	Collateral Realized Loss	Permitted Policy Claim Amount	Ending Bond Balance	Ending Collateral Balance	Accretion Amounts	Ending Deferred Amounts
	A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1
\$60 Intrinsic Principal payment; \$0 Collateral Realized Loss	\$90 Class A1 \$120 Class A2	\$ 130	\$80 Class A1 \$0 Class A2	\$80 Class A1 \$0 Class A2	\$ 60	\$60 Class A1 \$0 Class A2	-	-	\$30 Class A1 \$120 Class A2	\$ 70	\$.33 Class A1 \$0 Class A2	\$30.33 Class A1 \$50 Class A2
Calculations									A1 - E1	B1 - E1	D1 x (4.98%/12)	
	A2	B2	C2	D2	E2	F2	G2	H2	I2	J2	K2	L2
\$50 Intrinsic Principal payment; \$0 Collateral Realized Loss	\$30 Class A1 \$120 Class A2	\$ 70	\$30 Class A1 \$50 Class A2	\$30.33 Class A1 \$50 Class A2	\$ 50	\$30 Class A1 \$20 Class A2	-	-	\$0 Class A1 \$100 Class A2	\$ 20	\$.13 Class A1 \$.21 Class A2	\$.46 Class A1 \$80.21 Class A2
Calculations	I1	J1		L1					A2 - E2	B2 - E2	D2 x (4.98%/12)	

**EXHIBIT 2**  
**LVM PAYMENT GUIDELINES AS AMENDED**

## LVM PAYMENT GUIDELINES FOR PLAN OF REHABILITATION, AS AMENDED

Date: September 25, 2017

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”)<sup>1</sup> 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 dated October 8, 2010 (the “Original Plan”). On June 11, 2014, the Court issued an order approving certain amendments to the Original Plan (together with all supplements and Exhibits thereto, the “First Amended Plan”). On September 25, 2017, the Rehabilitator filed a further amended Plan of Rehabilitation for the Segregated Account (together with all supplements and Exhibits thereto, the “Second Amended Plan” or the “Plan”).

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](http://www.ambacpolicyholders.com) and shall be effective immediately on issuance.

These LVM Payment Guidelines replace and supersede (a) 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”) and (b) the LVM Payment Guidelines dated June 12, 2014 (the “2014 LVM Payment Guidelines”).

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<sup>1</sup> 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 September 25, 2017 (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, AAC 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, AAC, 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, prior to the Effective Date, the Management Services Provider, and after the Effective Date, AAC, (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. All LVM Policy Claims that were designated as Pending LVM Policy Claims under the 2014 LVM Payment Guidelines, but were not Permitted, and were not denied, under the 2014 LVM Payment Guidelines as of the Record Date, shall be deemed Pending LVM Policy Claims under these LVM Payment Guidelines.

**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 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 LVM Policy 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 or the 2014 LVM Payment Guidelines. 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 an 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 the 2014 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; *provided that* with respect to Permitted Post-Record Date LVM Policy Claims that are submitted, in

accordance with the Plan and these LVM Payment Guidelines, during the month that the Court enters the Approval Order, such Permitted Post-Record Date LVM Policy Claims shall first receive an Interim Payment and then shall be paid in full in Cash on the Effective Date or as soon as reasonably practicable following the Effective Date. 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; *further 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 the 2014 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) the amount equal to the Deferred Amount as of the immediately preceding Payment Date, and (x) with respect to each Pre-Record Date Deferred Amount, plus any Accretion Amounts accrued between the immediately preceding Payment Date and the Effective Date, and (y) with respect to all Deferred Amounts,

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 the LVM Policy or such Insured Obligation since the immediately preceding Payment Date, and (ii) zero.

**2.5 Reconciliation of Pre-Record Date Deferred Loss Amounts.** The Management Services Provider, on behalf of the Segregated Account and the Rehabilitator, and the LVM Trustee shall conduct a final reconciliation of the Pre-Record Date Deferred Loss Amounts relating to any and all Permitted Pre-Record Date LVM Policy Claims. Such reconciliation (the “Pre-Record Date 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 Pre-Record Date 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 the Pre-Record Date Reconciliation by delivering, no later than December 29, 2017, the Reconciliation Notice relating to each of the Insured Obligations under the LVM Policy by CUSIP, to the LVM Trustee, using personal delivery, first class mail or electronic mail, showing the Management Service Provider’s calculation, as of the Reconciliation Date, of the Pre-Record Date Deferred Loss Amounts relating to such Insured Obligation. Following delivery of the Reconciliation Notice 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 Pre-Record Date Deferred Loss Amount and/or Pre-Record Date Reconciliation and/or in order to assist the Management Services Provider in preparing the 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, the Reconciliation Notice issued by the Management Services Provider, the LVM Trustee shall, no later than thirty (30) days after delivery of such Reconciliation Notice (the “Reconciliation 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](mailto:claimsprocessing@ambac.com)

with a copy to:

[claimsobjections@ambac.com](mailto: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 Reconciliation Opposition Period, the Pre-Record Date Reconciliation shall be deemed final as of the Reconciliation Date, and no further dispute resolution shall be permitted. If a response is submitted within such Reconciliation 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 Reconciliation 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 twentieth (20th) day after the delivery of such Resolution to the LVM Trustee. If no motion is filed by the 20th day after the delivery of such Resolution to the LVM Trustee, the Reconciliation shall be deemed final as of the 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 Pre-Record Date 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 November 30, 2017, submit to the Management Services Provider, by e-mail to [claimsprocessing@ambac.com](mailto: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 LVM 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. For the avoidance of doubt, the term “Deferred Payment” does not include the Payment of the Pre-Record Date Deferred Amount Consideration and Final Post-Record Date

Payment to be made on the Effective Date, or as soon as reasonably practicable following the Effective Date, pursuant to the Plan.

**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 LVM 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 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 Reconciliation Notice (or, if the LVM Trustee has disputed the 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 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, the Proceeding Circumstances, any provisions of the Interim Cash Payment Rules, the 2012 LVM Payment Rules, the 2014 LVM Payment Guidelines, these LVM Payment Guidelines, the Plan, the First Amended Plan, the Disclosure Statement and/or any amendments thereto, the Claims Administrator shall be entitled to collect any Reimbursement Amounts that AAC or the Segregated Account becomes, or is, entitled to receive under the Transaction Documents in relation to any: (i) Payments made prior to, on, or after the Effective Date (including any Payment of the Pre-Record Date Deferred Amount Consideration and the application of the Pre-Record Date Deferred Amount Discount if applied to Pre-Record Date Deferred Loss Amounts pursuant to the Plan), under the 2014 LVM Payment Guidelines and these LVM Payment Guidelines, pursuant to, and in accordance with, the LVM Policy and any related Transaction Documents; (ii) payments made according to the Interim Cash Payment Rules or the 2012 LVM Payment Rules; and (iii) other amounts paid by or on behalf of the Segregated Account in respect of an Insured Obligation, and in any case (x) 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 and (y) in each case where a payment was made by AAC in respect of a Pre-Record Date Deferred Amount received by AFG or a Sponsoring Holder from an LVM Holder in the Initial Exchange, it shall be treated as if AAC had paid such amount under the LVM Policy to the LVM Holder directly and then the LVM Holder paid such amount to AFG or the Sponsoring Holder, in each such case as if AAC had paid 100% of such LVM Policy Claims in Cash, notwithstanding the Pre-Record Date Deferred Amount Discount, to the LVM Holder directly.

**2.13 Recoveries on LVM Policy Claims.** Notwithstanding the Proceeding, the Proceeding Circumstances, any provisions of the Interim Cash Payment Rules, the 2012 LVM Payment Rules, the 2014 LVM Payment Guidelines, these LVM Payment Guidelines, the Plan, the First Amended Plan, the Disclosure Statement and/or any amendments thereto, the Segregated Account, or AAC as its successor after the Effective Date, shall be entitled, in its sole and absolute discretion, to reduce its obligations 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 due to the LVM Trustee or the LVM Holders or (ii) reducing the amount of the Pre-Record Date Deferred Amount Consideration or the Final Post-Record Date Payment due to the LVM Trustee or the LVM Holders by the Recovery Amount. 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 or AAC, as applicable, pursuant to this Section 2.13. The LVM Trustee shall maintain a written record (a copy of which shall be available to AAC or the Rehabilitator, as applicable 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, including the Pre-Record Date Deferred Amount Consideration and the Final Post-Record Date Payment from AAC or the Segregated Account, or the type of Payments described in Section 3.3(c) of the Plan, each LVM Holder of such Permitted LVM Policy Claim shall be deemed to have assigned its rights with respect to the full amount of its Policy Claim relating to the amount of such Payment or transfer, including any Pre-Record Date Deferred Amount Discount in respect of any Pre-Record Date Deferred Amount, under the Transaction Document(s) to AAC.

**2.16 Proof of Policy Claim Form.** From and after the Effective Date, the LVM Trustee, with respect to any Post-Effective Date Policy Claim, shall submit such Post-Effective Date Policy Claim to AAC in accordance with the applicable Transaction Documents; *provided that* if the applicable Transaction Documents contain provisions requiring Holders of a Post-Effective Date Policy Claim to use forms other than the Proof of LVM Policy Claim Form, the LVM Trustee shall be required to submit such Post-Effective Date Policy Claim using the Proof of LVM Policy Claim Form and any related Claim Schedule.

**2.17 Payment of Pre-Record Date Deferred Amount Consideration.** On the Effective Date, or as soon as reasonably practicable following the Effective Date, and pursuant to the terms set forth in the Plan, after the consummation of the Initial Exchange and the Exchange Offers, the Pre-Record Date Deferred Amount Consideration shall be transferred by AAC, at the request of the Segregated Account and in satisfaction of its obligations under the Reinsurance Agreement, to the LVM Holders, as of the Eligibility Distribution Date, of the Insured Obligations related to the Pre-Record Date Deferred Amounts established pursuant to the 2014 LVM Payment Guidelines, the 2012 LVM Payment Rules, or these LVM Payment Guidelines. Where such underlying securities related to such Pre-Record Date Deferred Amounts are held through DTC, AAC shall transfer the Pre-Record Date Deferred Amount Consideration to DTC for further transfer by DTC to its participants. AAC, in its capacity as Claims Administrator, and/or its agents, and after reconciliation with the LVM Trustee, shall provide to DTC the rates and other information required by DTC to effect such transfers, and DTC shall be authorized to take instructions solely from AAC with respect to such transfers. The LVM Trustee shall permit, and provide any authorization or direction (but not indemnification) needed for AAC, any Paying Agent and/or DTC to make, process and/or accept any Payments as contemplated by the Plan and these LVM Payment Guidelines. For the avoidance of doubt, all Pre-Record Date Deferred Amount Consideration to be distributed pursuant to Section 2.2(a) of the Plan shall not be transferred to the LVM Trustee but shall be deemed to be transferred to the LVM Trustee.

**2.18 Reconciliation of and Satisfaction of Post-Record Date Deferred Amounts.** The Management Services Provider, on behalf of the Segregated Account and the Rehabilitator, and after the Effective Date, AAC, shall reconcile any Post-Record Date Deferred Amounts relating to any and all Permitted Post-Record Date Policy Claims. In accordance with Section 2.2 of the Plan, AAC shall pay the outstanding Final Post-Record Date Payment in full in Cash, less any and all amounts which reduce the Post-Record Date Deferred Amount, including any Recovery Amounts, Subsequent Adjustments, or setoffs.

## **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, which objection, with respect to any LVM Policy Claim arising on or prior to the Record Date, shall be delivered by the Management Service Provider to the LVM Trustee or its representative no later than December 1, 2017. No later than the thirtieth (30th) day after the delivery of such written notice of Objection to the LVM Trustee or its representative (the “Disputed Claim Opposition Period”). The LVM Trustee or its representative, 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](mailto:claimsprocessing@ambac.com)

with a copy to:

[claimsobjections@ambac.com](mailto: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 the Disputed Claim Opposition Period, the LVM Policy Claim, or the portion 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. If a response is submitted within such Disputed Claim Opposition Period, the Rehabilitator or the Management Services Provider 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 the Disputed Claim Opposition Period by the LVM Trustee and the Rehabilitator or the Management Services Provider 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 or the Management Services Provider 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 twentieth (20th) day after the delivery of such Resolution to the LVM Trustee.

**3.2 Setoffs.** The Segregated Account or AAC (individually or in its capacity as successor to the Segregated Account) may set off or recoup in whole or in part against any Permitted LVM Policy Claim, Payment, Deferred Amount, or any other amount established, paid, or payable by, or on behalf of, the Segregated Account or AAC, as applicable, on account of such Permitted LVM Policy Claim and any all claims, rights and Causes of Action that the Segregated Account or AAC may hold against the LVM Holder of such Permitted LVM Policy Claim that has not been otherwise waived, released, or compromised in accordance with the Plan; *provided that*, (a) neither the failure to effect a set-off or recoupment, nor (b) the permission of any LVM Policy Claim hereunder, will constitute a waiver or release by the Segregated Account or AAC with respect to claims, rights, or Causes of Action that AAC may possess against the LVM Trustee or an LVM Holder, notwithstanding any compulsory counterclaim rules or requirements to the contrary.

**3.3 Subsequent Adjustments.** Prior to the Effective Date, 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 notice of Subsequent Adjustment. No later than the thirtieth (30th) day after the delivery of such written notice of Objection to the LVM Trustee or its representative (the "Subsequent Adjustment 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](mailto:claimsprocessing@ambac.com)

with a copy to:

[claimsobjections@ambac.com](mailto: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 Subsequent Adjustment 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 Subsequent Adjustment 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 in writing (a "Resolution"). Only in the event that a response has been submitted by the LVM Trustee within such Subsequent Adjustment Opposition Period and the Rehabilitator issues a written Resolution determining that a Subsequent Adjustment is necessary, 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 twentieth (20th) day after the delivery of such Resolution to the LVM Trustee.

**3.4 Disputes Pending on the Effective Date.** Any Post-Record Date Policy Claim disputes or objections that are pending on the Effective Date shall be resolved in accordance with the procedures set forth in the applicable Transaction Documents in respect of the Insured Obligations that give rise to such Post-Record Date Policy Claims.

**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 or the 2014 LVM Payment Guidelines 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.** Before and after the Effective Date, the Court shall have 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 the Reconciliation Notice and 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) to enter such orders and injunctions as are necessary to enforce the terms of the Plan, and to impose such limitations, restrictions, terms, and conditions as the Court may deem necessary;

(d) to enter an order reopening the Proceeding;

(e) to correct any defect, cure any omission, or reconcile any inconsistency in the Plan and 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;

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

(g) to consider any amendment or modification of the Plan or any related documents;

(h) 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;

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

(j) 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 Approval Order.

**4.4 Immunity and Indemnity.** The immunity and indemnity provisions in Sections 6.9 and 6.12 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, *provided that* so long as the Rehabilitation Exit Support Agreement has not been terminated, to the extent that such supplement, modification, alteration, or withdrawal affects the Pre-Record Date Deferred Amount Consideration, such supplement, modification, alteration, or withdrawal shall require the consent of the Sponsoring Holders.

**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 the 2012 LVM Payment Rules and the 2014 LVM Payment Guidelines, and any inconsistent provisions of the Disclosure Statement or any other document, other than the Plan, that provides 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. In the case of any inconsistency between these LVM Payment Guidelines and the Plan, the Plan shall control.

**4.10 Effect of Failure of Conditions to Effective Date.** If (i) the Effective Date does not occur before the termination of the Rehabilitation Exit Support Agreement, (ii) a Final Order is entered (x) denying approval of the Plan or (y) reversing or vacating the Approval Order, or (iii) the Rehabilitator withdraws the Plan, these LVM Payment Guidelines shall automatically rescind and shall have no further force or effect and, in such case, the 2014 LVM Payment Guidelines shall control.

**4.11 Post-Effective Date Period.** These LVM Payment Guidelines shall be of no further force or effect after the Effective Date, except with respect to Sections 1.2, 2.12, 2.13, 2.16, 3.2, 3.3, 3.4, 3.5, and Article 4 of these LVM Payment Guidelines, which shall continue to be operative during the Post-Effective Date Period.

**4.12 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.

**4.13 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 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, and by electronic mail to [claimsprocessing@ambac.com](mailto: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.

**4.14 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.

**4.15 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.

**4.16 Returned Payments.** In the event that the LVM Trustee or any 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 or AAC, as applicable.

**4.17 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.

## EXHIBIT A

### DEFINITIONS

Capitalized terms used in these LVM Payment Guidelines shall have the following meanings, unless otherwise defined herein:

“2014 LVM Payment Guidelines” means the LVM Payment Guidelines for the First Amended Plan, as amended, dated June 12, 2014.

“AAC” means Ambac Assurance Corporation.

“Accretion Amounts” means, in respect of any Insured Obligation or any Permitted LVM Policy Claim which has a related Pre-Record Date Deferred Amount, on any Payment Date on which such Pre-Record Date Deferred Amount is to be calculated, accretion on such outstanding Pre-Record Date Deferred Amount from the immediately preceding Payment Date to the Effective Date at a rate compounded monthly to produce an effective annual rate of 5.1%.

“Act” means the Wisconsin Insurers Rehabilitation and Liquidation Act, Wis. Stat. § 645.01 *et. seq.*

“Allocation Schedule” shall have the meaning given to such term in the Proof of LVM Policy Claim Form.

“Alternative Resolution” means the process defined in Section 4.5 of the Plan pursuant to which the Rehabilitator may negotiate a resolution of certain Claims.

“Amendments” means the amendments to the Original Plan dated June 12, 2014.

“Approval Order” means the Decision approving the Plan, including any Findings of Fact and Conclusions of Law that may be required by the Rehabilitator in his sole and absolute discretion.

“Business Day” means 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.

“Cash” means 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.

“Chapter 11 Bonds” means the Las Vegas Monorail Cash Pay A Bonds and Las Vegas Monorail Cash Pay B Bonds described in the Las Vegas Monorail Company’s Fifth Amended Plan of Reorganization as modified on March 7, 2012, as confirmed on May 21, 2012 (as the same may be modified or amended from time to time) other than those Cash Pay A Bonds or Cash Pay B Bonds distributed with respect to the LVM Tendered Bonds.

“Claim” means 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, that arises prior to the Effective Date.

“Claim Period” shall have the meaning given to such term in the Proof of LVM Policy Claim Form.

“Claim Schedule” shall have the meaning given to such term in the Proof of LVM Policy Claim Form.

“Commissioner” means the Commissioner of Insurance of the State of Wisconsin.

“Confirmation Order” means 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.

“Cooperation Agreement” means the Cooperation Agreement, by and between the Segregated Account, the Rehabilitator, AAC and Ambac Financial Group, Inc., effective March 24, 2010, as amended as of March 14, 2012, and as further amended, supplemented or modified from time to time.

“CUSIP” means, 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.

“Deferred Loss Amount” means, with respect to each Insured Obligation in respect of which an LVM 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.

“Deferred Payment” means a Payment of all or any portion of a Deferred Amount to be made in accordance with these LVM Payment Guidelines, except Payment of the Pre-Record Date Deferred Amount Consideration and the Final Post-Record Date Payment to be paid pursuant to the Plan.

“Deferred Payment Amount” means, in connection with any Deferred Payment, the amount, in Cash, paid in respect of the Deferred Amount established for such Permitted LVM Policy Claim.

“Deferred Payment Date” means the Payment Date of any Deferred Payment.

“Deferred Payment Notice” means any notice filed by the Rehabilitator with the Court and posted on the Website to announce a Deferred Payment, which notice shall identify the Deferred Payment Percentage and announce the anticipated Deferred Payment Date.

“Deferred Payment Percentage” means the percentage of each Deferred Amount to be satisfied in a Deferred Payment, as announced by the Rehabilitator.



“Determination Date” means the eleventh (11th) day of each month, or earlier (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 or the Management Services Provider.

“Disallowed Claim” means an LVM Policy 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 2014 LVM Payment Guidelines or these LVM Payment Guidelines.

“Disclosure Statement” means the Disclosure Statement Accompanying the Plan filed with the Court on September 25, 2017, as amended, modified or supplemented from time to time.

“Disputed Claim” means an LVM Policy 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 LVM Policy Claim or a Disallowed Claim.

“DTC” means The Depository Trust Company, a clearing agency registered with the Securities and Exchange Commission or any successor entity thereto.

“Duplicate Claim” means any LVM Policy Claim with respect to which the Rehabilitator or the Management Services Provider has determined, in their 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 LVM Policy Claim or (ii) the underlying risk of loss insured pursuant to the provisions of the LVM Policy or other Transaction Document(s) giving rise to such LVM Policy Claim is the subject of, or is, a Pending LVM Policy Claim, Disputed Claim, Late Claim, Disallowed Claim, Permitted LVM Policy Claim or an LVM Surety Bond Claim.

“Effective Date” means the day on which the Plan is effective, as determined, and announced by the Rehabilitator, in accordance with Article 5 of the Plan.

“Eligibility Distribution Date” means a date to be set by the Rehabilitator in his sole discretion; *provided that* that such date is intended to be as close as reasonably practicable to the Effective Date, but shall be no later than one business day prior to the Effective Date.

“General Account” means the general account of AAC.

“Injunction” means 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.

“Insured Obligation” means in respect of any LVM Policy Claim, an obligation guaranteed by the Segregated Account under or pursuant to the LVM Policy. The LVM Policy

provides financial guaranty insurance in respect of more than one Insured Obligation, each Insured Obligation as identified by its CUSIP, if any.

“Interim Payment” means, with respect to each LVM Policy Claim determined to be a Permitted LVM Policy Claim, the Payment of the amount equal to the then applicable Interim Payment Percentage of the Permitted LVM Policy Claim Amount, made in accordance with these LVM Payment Guidelines. With respect to each LVM Policy Claim deemed Permitted in accordance with the 2012 LVM Payment Rules and Section 2.16 of the 2014 LVM Payment Guidelines, the payment made to the LVM Trustee in accordance with the 2012 LVM Payment Rules.

“Interim Payment Amount” means the amount, in Cash, of any Interim Payment made by the Segregated Account to the LVM Trustee.

“Interim Payment Percentage” means the percentage of a Permitted LVM 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 the LVM Policy, 45%, and which may be increased from time to time by the Rehabilitator pursuant to these LVM Payment Guidelines.

“IPP Notice” means any notice filed by the Rehabilitator with the Court and posted on the Website to announce an increase to the Interim Payment Percentage, which notice shall identify the new Interim Payment Percentage and announce the anticipated date that such increase will take effect.

“LVM Bonds” means the Las Vegas Monorail Project Revenue Bonds, 1<sup>st</sup> Tier Series 2000, as amended, modified or supplemented from time to time.

“LVM Holder” means a beneficial owner of an interest in the LVM Bond.

“LVM Policy” means financial guaranty policy no. 17548BE, which has been allocated to the Segregated Account.

“LVM Policy Claim” means any right to payment (a) arising prior to the Effective Date from the Segregated Account and (b) arising on or after the Effective Date, from AAC, in each case, arising under the LVM Policy, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, equitable, legal, secured, or unsecured.

“LVM Surety Bond Claim” means any Policy Claim under the Surety Bond no. SB1080BE dated as of September 1, 2000, issued by AAC in favor of the LVM Trustee in connection with the LVM Bonds.

“LVM Tender” means AAC’s Offer to Purchase for Cash Any and All of the LVM Bonds, which commenced on November 21, 2011 and expired on December 22, 2011.

“LVM Tendered Bonds” means those LVM Bonds which were acquired pursuant to the LVM Tender.

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

“Management Services Provider” means AAC or any successor Management Services Provider under the Management Services Agreement.

“Objection” means any dispute or objection with respect to an LVM Policy Claim, as contemplated by Section 3.1 of these LVM Payment Guidelines.

“OCI” means the Office of the Commissioner of Insurance of the State of Wisconsin.

“Opposition Period” means the thirty (30) day period during which the LVM Trustee may oppose a Reconciliation Notice under Section 2.5 of these LVM Payment Guidelines, or the period through December 1, 2017, during which the Rehabilitator or the Management Services Provider may raise an Objection under Section 3.1, or the thirty (30) day period during which the LVM Trustee may dispute a Subsequent Adjustment under Section 3.3, as the case may be.

“Paying Agent” means any paying agent retained by the Claims Administrator on or after the Effective Date, in the sole and absolute discretion of the Claims Administrator for the purpose of making any Payment in accordance with the Plan and these LVM Payment Guidelines.

“Payment” means a payment made by or on behalf of the Segregated Account, in accordance with the Plan, the First Amended Plan, the 2014 LVM Payment Guidelines, these LVM Payment Guidelines, an order of the Court, or pursuant to the direction of the Special Deputy Commissioner, on account of Deferred Amounts or Permitted LVM Policy Claims, including, but not limited to, Cash, Senior Secured Notes, Interim Payments, Supplemental Payments, Deferred Payments, and/or payments made (as applicable) in conjunction with an Alternative Resolution, as well as any transfer of Pre-Record Date Deferred Amount Consideration by AAC or the Segregated Account in respect of a Pre-Record Date Deferred Amount received by AFG or a Sponsoring Holder in the Initial Exchange pursuant to Section 2.3(c) of the Plan. For the avoidance of doubt, the term Payment does not include securities transferred by AFG or a Sponsoring Holder pursuant to the Initial Exchange.

“Payment Date” means the date during each month on which LVM Policy Claims, arising before the Effective Date, and which have been Permitted by the Claims Administrator on the immediately preceding Determination Date, are scheduled to be paid in accordance with these LVM Payment Guidelines. The Payment Date for all Claims Permitted after the issuance of these LVM Payment Guidelines shall be the eleventh (11th) day of each such month (or, if any such day is not a Business Day, the immediately following Business Day), or such other date as may be defined in these LVM Payment Guidelines; *provided that* all Payments of the Pre-Record Date Deferred Amount Consideration to be distributed pursuant to the Plan shall be completed on the Effective Date or as soon as reasonably practicable following the Effective Date.

“Pending / LVM Policy Claim” means an LVM Policy Claim (i) submitted by the LVM Trustee in accordance with all of the requirements of the Plan and these LVM Payment Guidelines, including without limitation, in the case of an LVM Policy Claim, Sections 1.2, 1.3

and 1.4 of these LVM 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 LVM Policy Claim, a Disputed Claim, a Late Claim, a Duplicate Claim or a Disallowed Claim.

“Permitted / Permitted LVM Policy Claim” means an LVM Policy Claim (other than a Late Claim, a Disputed Claim, a Pending LVM Policy Claim, a Duplicate Claim or a Disallowed Claim) submitted in compliance with the provisions of the First Amended Plan and the 2014 LVM Payment Guidelines, the Plan and these LVM Payment Guidelines, to the extent determined by the Claims Administrator to be a matured, non-contingent, due and payable obligation according to the provisions of the LVM Policy and/or any other underlying instrument(s) or contract(s) giving rise to or governing such LVM Policy Claim. Permitted LVM Policy Claims shall not include any LVM Policy Claim in respect of (i) any interest on such LVM Policy 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 LVM Policy Claim or on the related Insured Obligation, if any, that would violate the Injunction, or (iv) in the sole and absolute discretion of the Claims Administrator, as applicable, that portion of any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by an LVM Holder holding an LVM Policy Claim or the LVM Trustee, including without limitation, any cash deposits, reserves or other defeasance or reinsurance instruments made available to such LVM Holder. In addition, a Permitted LVM Policy Claim shall not include any LVM Policy Claim in respect of which the LVM Trustee, the LVM Holder of such LVM Policy Claim, or any party to the transaction relating to the LVM Policy, is in violation of the Plan, the Injunction, the 2014 LVM Payment Guidelines, these LVM Payment Guidelines, or any other order of the Court relating to the Segregated Account.

“Permitted LVM Policy Claim Amount” means, with respect to each Permitted LVM Policy Claim, the amount of the Permitted LVM Policy Claim, as determined pursuant to these LVM Payment Guidelines.

“Person” means an individual, a person, 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.

“Petition Date” means March 24, 2010, the date on which OCI commenced the Proceeding.

“Plan” means the Second Amended Plan of Rehabilitation for the Segregated Account dated September 25, 2017 and all supplements and Exhibits hereto, and as the same may be further amended or modified as set forth herein and in accordance with the Act. All references to the “Plan” used herein are to the Second Amended Plan.

“Plan of Operation” means the Plan of Operation of the Segregated Account, as amended, modified and/or supplemented from time to time.

“Pre-Record Date Deferred Amount” means, with respect to each Insured Obligation (identified by its CUSIP, if any) in respect of which a Pre-Record Date Policy Claim has been

Permitted and/or established by the Segregated Account, and an Interim Payment made, the amount calculated as a Deferred Amount pursuant to the procedures set forth in these LVM Payment Guidelines or the 2014 LVM Payment Guidelines, as applicable, in respect of Permitted Policy Claims based on events, occurrences and circumstances occurring or existing prior to the Record Date (x) including any and all Accretion Amounts and (y) less any Recovery Amounts received up to and including the Effective Date in respect of such Insured Obligation and which have not otherwise previously reduced the Pre-Record Date Deferred Amount in respect of such Insured Obligation.

“Pre-Record Date Deferred Amount Consideration” means the Cash and Senior Secured Notes to be distributed to Holders of Pre-Record Date Deferred Amounts pursuant to Section 2.2 of the Plan.

“Pre-Record Date Reconciliation” means the reconciliation of Pre-Record Date Deferred Loss Amounts relating to Permitted Pre-Record Date Policy Claims, and any Recovery Amounts, and/or Payments relating thereto, in accordance with the procedure set forth in Section 2.5 of these LVM Payment Guidelines.

“Proceeding” means 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.

“Proof of LVM Policy Claim Form” means the forms attached to these LVM Payment Guidelines as Exhibit B to be used by the LVM Trustee to submit one or more LVM Policy Claim(s) and Post-Effective Date Policy Claims to the Management Services Provider or AAC, as applicable, in accordance with these LVM Payment Guidelines, and with respect to Post-Effective Date Policy Claims, the relevant Transaction Documents, as such forms may be amended and/or supplemented from time to time in the sole and absolute discretion of AAC.

“Reconciliation Date” means December 29, 2017.

“Reconciliation Notice” means the notice delivered by the Management Service Provider no later than December 29, 2017, pursuant to Section 2.5 of these LVM Payment Guidelines, to Holders of Permitted LVM Policy Claims. Reconciliation Notices shall indicate the Management Services Provider’s calculation, as of the Reconciliation Date, of the Pre-Record Date Deferred Loss Amount, taking into consideration any Recovery Amounts, Reimbursement Amounts, or Payments.

“Reconciliation Opposition Period” means the thirty (30) day period that runs from the delivery of the Reconciliation Notice during which a Holder may send to the Management Services Provider a written response disputing the Reconciliation Notice. If no response is sent by the Holder within the Reconciliation Opposition Period, the Pre-Record Date Reconciliation shall be deemed final as of the Reconciliation Date, and no further dispute resolution shall be permitted.s

“Recovery Amount” means, in respect of any Insured Obligation (identified by its CUSIP, if any) the amount of any payments, recoveries, reimbursements or other assets or benefits (excluding any Payments made under the Plan, the 2012 LVM Payment Rules, the 2014

LVM Payment Guidelines, or these LVM Payment Guidelines) which the Rehabilitator, in his sole and absolute discretion, or AAC after the Effective, in its sole and absolute discretion, determines that an LVM Holder of a Permitted LVM Policy Claim relating to such Insured Obligation has received, collected or recovered and that satisfies an obligation of the Segregated Account under the Plan with respect to Deferred Loss Amounts. Such amounts shall include, without duplication, double-counting or limitation, the amount of any payments, recoveries, reimbursements or other assets or benefits (excluding any Payments made under the Plan, the 2012 LVM Payment Rules, the 2014 LVM Payment Guidelines, or these LVM Payment Guidelines) that:

- (i) are attributable to, or paid in respect of or pursuant to, the Chapter 11 Bonds;
- (ii) such LVM Holder of a Permitted LVM Policy Claim relating to such Insured Obligation has received, collected or recovered from a Person that is not AAC or the Segregated Account (other than scheduled principal and/or interest on the collateral for such Insured Obligation);
- (iii) reduce, or are permitted to reduce, any amount of overdue and unpaid interest and/or principal that is insured under the LVM Policy;
- (iv) such Holder of a Permitted LVM Policy Claim relating to such Insured Obligation has received, collected or recovered in respect of such Insured Obligation that AAC, the Segregated Account would have been entitled to receive, collect, recover, or receive the benefit of, had it paid 100% of the Permitted LVM Policy Claim relating to such Insured Obligation in Cash (rather than as contemplated herein)
- (v) reduce the principal or interest on any such Insured Obligation after the final scheduled distribution date or maturity date of such Insured Obligation; and/or
- (v) such LVM Holder of a Permitted LVM Policy Claim relating to such Insured Obligation has received, collected or recovered pursuant to or in connection with any Alternative Resolution or pursuant to any judgment rendered by a court of competent jurisdiction in respect of such Claims.

“Reimbursement Amount” means the amount of any payments, recoveries, reimbursements or other assets that AAC is entitled to receive, collect or recover in its capacity as insurer, surety, credit support provider, credit enhancer, credit default swap counterparty or similar capacities, or as assignee or subrogee, under the LVM Policy, any related Transaction Document with respect to the underlying obligation or Insured Obligation under the LVM Policy, or any third party settlement or reinsurance agreement, but excluding premium payments under the LVM Policy and, in the sole and absolute discretion of the Rehabilitator, payments made under expense-related agreements to which AAC is a party. For the avoidance of doubt, if, instead of being received, collected or recovered by AAC, any Reimbursement Amounts are received, collected or recovered by the LVM Trustee or the LVM Holder of a Permitted LVM Policy Claim, such Reimbursement Amounts may be treated as Recovery Amounts under the



Plan, subject to AAC's right to collect such Reimbursement Amounts from the LVM Trustee or such LVM Holder(s) under Section 2.12 hereof.

"Reinsurance Agreement" means 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.

"Resolution" shall have the meaning given to such term in Section 2.5, 3 or 3.3 of these LVM Payment Guidelines, as applicable.

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

"Segregated Account Operational Documents" means 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.

"Special Deputy Commissioner" means the Special Deputy Commissioner of the Segregated Account appointed by order of the Court.

"Subsequent Adjustment" means any adjustment made in accordance with Section 3.3 of these LVM Payment Guidelines.

"Subsequent Adjustment Notice" means the written notice of any Subsequent Adjustment made in accordance with Section 3.3 of these LVM Payment Guidelines, which notice shall indicate the adjustment to be made and the reasons for doing so.

"Supplemental Payment" means any Payment made in accordance with Section 2.14, or deemed to be made in accordance with Section 2.16, of the 2014 LVM Payment Guidelines to the LVM Trustee in excess of the Interim Payment and/or any Deferred Payment made on account of a Permitted LVM Policy Claim in order to maximize Reimbursement Amounts. Supplemental Payments shall not include Recovery Amounts..

"Transaction Documents" means any agreements relating to the LVM Policy, 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.

"Website" means the website established by the Rehabilitator for policyholders at [www.ambacpolicyholders.com](http://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, the Plan and the Segregated Account Operational Documents.

“Wis. Stat. § ” The Wisconsin Statutes (2011-12), as amended.



**EXHIBIT B**

**PROOF OF POLICY CLAIM FORM**

## PROOF OF LVM POLICY CLAIM FORM

Date: [ \_\_\_\_\_ ]

**Ambac Assurance Corporation,**  
*as Management Services Provider of  
the Segregated Account of Ambac Assurance Corporation*  
One State Street Plaza  
New York, NY 10004  
Attention: Claims Processing  
Email: [claimsprocessing@ambac.com](mailto:claimsprocessing@ambac.com)  
Facsimile: (212) 208-3404

Reference Policy Number: 17548BE

Reference is made to (i) the LVM Payment Guidelines for Plan of Rehabilitation, as amended (the “LVM Payment Guidelines”), (ii) the attached claim schedule, which includes detailed information about the LVM Policy Claim(s) made pursuant to this Proof of LVM Policy Claim Form (the “Claim Schedule”) and (iii) the LVM Policy with respect to the Insured Obligation(s) identified on the Claim Schedule. Terms capitalized herein and not otherwise defined shall have the meanings ascribed to such terms in or pursuant to the LVM Payment Guidelines or the LVM Policy, as the case may be, unless the context otherwise requires.

The undersigned hereby certifies as follows:

1. The undersigned is the trustee (the “LVM Trustee”) 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, modified and supplemented from time to time, the “Indenture”) and, pursuant to the LVM Payment Guidelines, is entitled to submit a Claim for the “Total Claim Amount” set forth on the Claim Schedule with respect to the Insured Obligation (the “Total Claim Amount”).
2. The information set forth on the Claim Schedule is true, correct and complete.
3. The Total Claim Amount is due for Payment pursuant to the terms of the LVM Policy and the Transaction Documents relating to or governing the Insured Obligation(s).
4. The undersigned has not previously made a Claim or demand for Payment under the LVM Policy in respect of amounts due on the Insured Obligation(s) on the “Payment Date” indicated on the Claim Schedule.
5. *[Complete for the first LVM Policy Claim made after the Effective Date in respect of the LVM Policy or if the LVM Trustee wishes to alter the payment instructions previously provided to the Management Services Provider: The undersigned*

hereby requests that any portion of the Total Claim Amount to be paid by the Segregated Account in Cash be made to the following account by bank wire transfer of federal or other immediately available funds:

Bank Name: [ \_\_\_\_\_ ]  
ABA #: [ \_\_\_\_\_ ]  
Acct #: [ \_\_\_\_\_ ]  
Reference: [ \_\_\_\_\_ ]

*OR If the LVM Trustee has provided account details previously and these are not changing, please include the following:* The undersigned hereby requests that any portion of the Total Claim Amount to be paid by the Segregated Account in Cash be paid by bank wire transfer of federal or other immediately available funds to the account notified by the undersigned to the Segregated Account and the Management Services Provider pursuant to the Proof of LVM Policy Claim Form dated as of [ ] and relating to the LVM Policy.]

6. The undersigned hereby agrees that, following receipt of any Cash Payment by the Segregated Account in respect of the Total Claim Amount, it shall (i) cause such funds to be distributed to the LVM Holders who, but for the LVM Payment Guidelines, would have been entitled to submit LVM Policy Claims to the Segregated Account in respect of the Total Claim Amount, (ii) maintain an accurate record of such distributions with respect to the Insured Obligation and the corresponding Claim on the Policy and proceeds thereof, and (iii) comply with the terms of the Indenture insofar as they relate to such funds following Payment by the Segregated Account, including, without limitation, noting the rights of the Segregated Account and/or Ambac Assurance Corporation (“Ambac”) in the bond register.

Nothing contained herein shall, or shall be deemed to, alter, transfer, impede, impair, restrict, limit, prejudice, waive, delay or otherwise affect any rights of Ambac or the Segregated Account under or in connection with the LVM Policy or any other Transaction Documents relating to the LVM Policy, whether contractual, by way of subrogation or otherwise, including, without limitation, all subrogation rights available to Ambac or the Segregated Account in connection with any Payment under the LVM Policy.

Any oral or written communications to the undersigned in respect of this Proof of LVM Policy Claim Form and the LVM Policy Claims made hereunder may be addressed to one of the following persons:

1. [insert name], [address], [phone number] and [email]
2. [insert name], [address], [phone number] and [email]<sup>1</sup>

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<sup>1</sup> Contact details for at least 2 persons at the LVM Trustee must be provided. At least 1 contact person must be authorized to discuss operations and settlement matters. The person responsible for operations/settlements should be clearly identified.

**ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD THE SEGREGATED ACCOUNT, THE REHABILITATOR OR OTHER PERSON FILES A STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT ACT, WHICH MAY BE SUBJECT TO CIVIL AND/OR CRIMINAL PENALTY.**

[ \_\_\_\_\_ ],  
as LVM Trustee

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



**LVM POLICY CLAIM PAYMENT - ALLOCATION SCHEDULE**

LVM Trustee:  
Policy #: 17548BE

Total Claim Amount for LVM Policy Claim:  
Cash received in respect of LVM Policy Claim:  
Claim Period\*:  
Payment application date\*\*:

**Insured Obligations by CUSIP (if applicable):**      **Payment applied against Principal:**      **Payment applied against Interest:**      **Total Claim Payment applied:**

XXXXX  
XXXXX

**Total**

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\* Claim Period is the period in respect of which the LVM Policy Claim was submitted pursuant to the LVM Claim Schedule.  
For a Deferred Payment, the Claim Period can be identified as "Deferred Payment."

\*\*Payment application date is the date the LVM Policy Claim Payment was paid by the LVM Trustee to the LVM Holders.

The LVM Trustee hereby certifies that the information contained in this Allocation Schedule to be true, correct and up-to-date.

For and on behalf of \_\_\_\_\_, LVM Trustee

Name:  
Title:  
Date: