IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
TRIAD GUARANTY INC.,[1]	)	Case No. 13-11452 (MFW)
	)	
Debtor.	)	
	)	
	)	

AMENDED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE WITH RESPECT TO AMENDED JOINT PLAN OF REORGANIZATION OF TRIAD GUARANTY INC. AND WOLFGANG HOLDINGS, LLC PURSUANT TO CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE

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TO VIEW, FOR NO CHARGE, ANY DOCUMENTS REFERENCED HEREIN THAT HAVE BEEN FILED IN THIS BANKRUPTCY CASE, PLEASE VISIT HTTPS://WWW.DONLINRECANO.COM/TRIAD

[1] The last four digits of the Debtor's federal taxpayer identification number are 8519. The location of the Debtor's headquarters and the Debtor's service address is 1900 Crestwood Blvd., Birmingham, AL 35210.

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EXHIBITS

Accompanying this Disclosure Statement are:

- A copy of the Plan (Exhibit A)
- Analysis of recoveries under the Plan and a hypothetical liquidation of the Debtor under chapter 7 of the Bankruptcy Code (the "Liquidation Analysis") (Exhibit B)
- A copy of the Tax Allocation Agreement (Exhibit C)
- A copy of the Tax Payment Agreement (Exhibit D)
- A ballot for acceptance or rejection of the Plan for Holders of Equity Interests
- A notice setting forth: (i) the deadline for casting ballots either accepting or rejecting the Plan; (ii) the deadline for filing objections to confirmation of the Plan; and (iii) the date, time and location of the Confirmation Hearing

ARTICLE I
INTRODUCTION AND OVERVIEW

A. Prefatory Statement and Definitions

Pursuant to chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ et seq. (the "Bankruptcy Code"), Triad Guaranty Inc. (referred to herein as "Triad," the "Company," or the "Debtor") hereby submits this disclosure statement (the "Disclosure Statement") in support of the *Joint Plan of Reorganization of Triad Guaranty Inc. and Wolfgang Holdings, LLC pursuant to Chapter 11 of the United States Bankruptcy Code* (as may be amended, the "Plan"). The definitions contained in the Bankruptcy Code are incorporated herein by reference. The definitions set forth on Exhibit A to the Plan shall also apply to capitalized terms used herein that are not otherwise defined.

B. Introduction

On June 3, 2013 (the "Petition Date"), the Debtor filed a voluntary petition under chapter 11 of the Bankruptcy Code, thereby commencing case number 13-11452 (MFW) (the "Chapter 11 Case") currently pending before the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Since filing for bankruptcy protection, the Debtor has continued to operate and manage its affairs as a debtor in possession pursuant to sections 1107 and 1008 of the Bankruptcy Code.

This Disclosure Statement, submitted in accordance with section 1125 of the Bankruptcy Code, contains information regarding the Plan. A copy of the Plan is attached to this Disclosure Statement as Exhibit A. This Disclosure Statement is being distributed to you for the purpose of enabling you to make an informed judgment about the Plan.

This Disclosure Statement contains information concerning, among other matters: (1) the Debtor's background; (2) the assets available for distribution under the Plan; and (3) a summary of the Plan. The Debtor strongly encourages you to review carefully the contents of this Disclosure Statement and the Plan (including the exhibits to each) before making a decision to accept or reject the Plan. Particular attention should be paid to the provisions affecting or impairing your rights as an Equity Holder.

Your vote on the Plan is important. Absent acceptance of the Plan, there may be protracted delays or a chapter 7 liquidation. These alternatives may not provide for distribution of as much value to Holders of Allowed Claims as does the Plan. **Accordingly, the Debtor urges you to accept the Plan by completing and returning the enclosed ballot(s) no later than October 16, 2017 at 4:00 p.m. (ET).**

C. Disclaimers

THIS DISCLOSURE STATEMENT WAS PREPARED BY THE DEBTOR'S PROFESSIONALS IN CONSULTATION WITH, AND BASED ON INFORMATION PROVIDED BY, THE DEBTOR THROUGHOUT THE CHAPTER 11 CASE AS WELL AS PUBLICLY AVAILABLE INFORMATION. THE DEBTOR

IS SOLELY RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE FINANCIAL OR LEGAL ADVICE. CREDITORS AND EQUITY HOLDERS OF THE DEBTOR SHOULD CONSULT THEIR OWN ADVISORS IF THEY HAVE QUESTIONS ABOUT THE PLAN OR THIS DISCLOSURE STATEMENT. A REFERENCE IN THIS DISCLOSURE STATEMENT TO A "SECTION" REFERS TO A SECTION OF THIS DISCLOSURE STATEMENT, UNLESS OTHERWISE INDICATED.

WHILE THIS DISCLOSURE STATEMENT DESCRIBES CERTAIN BACKGROUND MATTERS AND THE MATERIAL TERMS OF THE PLAN, IT IS INTENDED AS A SUMMARY DOCUMENT ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ATTACHED TO THE PLAN AND THIS DISCLOSURE STATEMENT. SIMILARLY, DESCRIPTIONS IN THIS DISCLOSURE STATEMENT OF PLEADINGS, ORDERS, AND PROCEEDINGS IN THE CHAPTER 11 CASE ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE RELEVANT DOCKET ITEMS. YOU SHOULD READ THE PLAN AND THE EXHIBITS TO OBTAIN A FULL UNDERSTANDING OF THEIR PROVISIONS. ADDITIONAL COPIES OF THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED TO THIS DISCLOSURE STATEMENT, AS WELL AS ANY DOCKET ITEMS FROM THE CHAPTER 11 CASE, ARE AVAILABLE FOR INSPECTION (I) FOR NO CHARGE, BY VISITING HTTPS://WWW.DONLINRECANO.COM/TRIAD AND (II) DURING REGULAR BUSINESS HOURS AT THE OFFICE OF THE CLERK OF THE BANKRUPTCY COURT, UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 3RD FLOOR, 824 MARKET STREET, WILMINGTON, DELAWARE 19801. IN ADDITION, COPIES MAY BE OBTAINED FOR A CHARGE THROUGH THE BANKRUPTCY COURT'S WEBSITE (http://www.deb.uscourts.gov) BY FOLLOWING THE DIRECTIONS FOR ACCESSING THE ECF SYSTEM ON SUCH WEBSITE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE PLAN WILL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE THIS DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED. THE DEBTOR ASSUMES NO DUTY TO UPDATE OR SUPPLEMENT THE DISCLOSURES CONTAINED HEREIN AND DOES NOT INTEND TO UPDATE OR SUPPLEMENT THE DISCLOSURES, EXCEPT AS PROVIDED HEREIN AND TO THE EXTENT NECESSARY AT THE HEARING ON CONFIRMATION OF THE PLAN.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE IN FAVOR

OF OR AGAINST THE PLAN. CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD-LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS, INCLUDING THOSE ESTIMATES OF THE VALUE OF PROPERTY THAT WILL BE DISTRIBUTED TO THE HOLDERS OF CLAIMS, ESTIMATES OF THE AGGREGATE FINAL ALLOWED AMOUNTS OF THE VARIOUS TYPES OF CLAIMS, ESTIMATES OF THE PROCEEDS FROM THE SALE, LIQUIDATION, OR OTHER DISPOSITION OF THE DEBTOR'S ASSETS AND ESTIMATES OF THE EXPENSES THAT WILL BE INCURRED DURING THE ADMINISTRATION OF THE PLAN. THERE CAN BE NO ASSURANCE THAT ANY FORECASTED OR PROJECTED RESULTS CONTAINED HEREIN WILL BE REALIZED. ACTUAL RESULTS MAY VARY FROM THOSE SHOWN HEREIN, POSSIBLY BY MATERIAL AMOUNTS.

D. Plan Overview

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. The Plan effectuates a reorganization of the Debtor that maximizes recovery to creditors and equity holders of the Debtor.

The proponents of the Plan are the Debtor and Wolfgang Holdings, LLC ("Wolfgang"). Wolfgang is a Delaware limited liability company whose sole member is Chris Manderson. Chris Manderson ("Manderson") is a member of Triad DIP Investors, LLC. RaS II Ltd., an entity in which Mr. William T. Ratliff, III, President and Chief Executive Officer of the Debtor, has a controlling interest, also is a member of Triad DIP Investors, LLC. Members of Mr. Ratliff's immediate family are the other partners in RaS II Ltd.

The Plan provides that all Holders of Allowed Administrative Expense Claims, Allowed Priority Claims, and Allowed General Unsecured Claims against the Debtor will be paid in full. The Plan provides that Holders of Equity Interests shall retain their Previously Issued Common Stock, but such stock shall be subject to dilution from the issuance of New Common Stock, and because of the issuance of certain warrants under the Third Financing Order (as hereinafter defined).

The Plan proposes to fairly and efficiently restructure the Debtor's liabilities and distribute the Debtor's assets in a manner that will allow this Chapter 11 Case to be promptly concluded.

The Plan designates three (3) series of Classes of Claims and Equity Interests, which classes take into account the differing nature of the various interests and their relative priorities under the Bankruptcy Code and applicable non-bankruptcy law.

The following table (the "Plan Summary Table") summarizes the classification and treatment of Claims (including certain unclassified Claims), along with

the projected recoveries for each Class. **THE PLAN SUMMARY TABLE IS INTENDED FOR ILLUSTRATIVE PURPOSES ONLY AND DOES NOT ADDRESS ALL ISSUES REGARDING CLASSIFICATION, TREATMENT, AND ULTIMATE RECOVERIES. THE PLAN SUMMARY TABLE IS NOT A SUBSTITUTE FOR A FULL REVIEW OF THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY. IN ADDITION, NOTHING HEREIN IS INTENDED, NOR SHOULD IT BE CONSTRUED, AS AN ADMISSION BY THE DEBTOR AS TO THE ESTIMATED OR ALLOWED AMOUNT OF ANY CLAIM OR GROUP THEREOF, OR AS A GUARANTEE OR ASSURANCE OF A PARTICULAR RECOVERY, OR RANGE OF RECOVERIES, ON ANY ALLOWED CLAIM OR GROUP THEREOF. THE DEBTOR RESERVES ALL RIGHTS WITH RESPECT TO THE ESTIMATION AND ALLOWANCE OF CLAIMS.**

Summary of Classification and Treatment of Claims and Equity Interests under the Plan				
CLASS	**DESCRIPTION**	**ESTIMATED ALLOWED CLAIMS**	**TREATMENT OF ALLOWED CLAIMS AND EQUITY INTERESTS WITHIN CLASS**	**ANTICIPATED RECOVERY**[2]
n/a	Administrative Expense Claims	$50,000	Except with respect to Administrative Expense Claims that are Professional Claims, on the later of the Effective Date or the date on which an Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or, in each such case, as soon as reasonably practicable thereafter, each Holder of an Allowed Administrative Expense Claim will receive, in full satisfaction, settlement, discharge and release of, and in exchange for such Claim either, (i) payment in full in Cash for the unpaid portion of such Allowed Administrative Expense Claim; or (ii) such other less favorable treatment as agreed to in writing by the Reorganized Debtor and such Holder; provided, however, that Administrative Expense Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business in accordance with such applicable terms and conditions relating thereto in the discretion of the Reorganized Debtor without further notice to or Order of the Bankruptcy Court; provided, further, that, if any such ordinary course expense is not billed, or a request for payment is not made, within thirty (30) days after the Effective Date, such ordinary	100%

[2] The bases for the recovery estimates are discussed in the Liquidation Analysis attached as Exhibit B hereto.

Summary of Classification and Treatment of Claims and Equity Interests under the Plan				
CLASS	**DESCRIPTION**	**ESTIMATED ALLOWED CLAIMS**	**TREATMENT OF ALLOWED CLAIMS AND EQUITY INTERESTS WITHIN CLASS**	**ANTICIPATED RECOVERY[2]**
			course expense shall be barred and the Holder thereof shall not be entitled to a distribution pursuant to this Plan.	
n/a	Professional Claims	$300,000	Except as otherwise agreed to in writing by the Debtor and such Professional, or as expressly set forth in the Plan, any Professional asserting a Professional Claim for services rendered before the Effective Date shall (i) File and serve on the Reorganized Debtor and such other Entities who are designated by the Bankruptcy Rules, the Interim Compensation Order, or other Order of the Bankruptcy Court a final application for the allowance of such Professional Claim no later than thirty (30) days after the Effective Date and, (ii) if granted such an award by the Bankruptcy Court, be paid in full in Cash in such amounts as are Allowed by the Bankruptcy Court within ten (10) days after the entry of a Final Order with respect to such Professional's final fee application. Holders of Professional Claims that do not File and serve such application by the required deadline shall be forever barred, estopped, and enjoined from asserting such Claims against the Debtor, the Reorganized Debtor, or their assets or properties, and such Claims shall be deemed discharged as of the Effective Date. Objections to Professional Claims shall be Filed no later than thirty (30) days after such	

Summary of Classification and Treatment of Claims and Equity Interests under the Plan				
CLASS	**DESCRIPTION**	**ESTIMATED ALLOWED CLAIMS**	**TREATMENT OF ALLOWED CLAIMS AND EQUITY INTERESTS WITHIN CLASS**	**ANTICIPATED RECOVERY**[2]
			Professional Claims are filed.	
n/a	Priority Tax Claims	$500	With respect to each Allowed Priority Tax Claim not paid prior to the Effective Date, the Disbursing Agent shall (i) pay such Claim in Cash as soon as reasonably practicable after the Effective Date, (ii) provide such other treatment agreed to by the Holder of such Allowed Priority Tax Claim and the Debtor (if before the Effective Date) or the Reorganized Debtor (on and after the Effective Date), as applicable, in writing, provided such treatment is no less favorable to the Debtor or the Reorganized Debtor than the treatment set forth in clause (i) of this sentence; or (iii) at the Disbursing Agent's sole discretion, pay regular installment payments in Cash having a total value, as of the Effective Date (reflecting an interest rate determined as of the Effective Date under Section 511(a) of the Bankruptcy Code), equal to such Allowed Priority Tax Claim, over a period not later than live (5) years after the Petition Date.	100%
1	Priority Non-Tax Claims	$1,316.69	Unimpaired; deemed to accept. Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to less favorable treatment, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash on the Effective Date or as soon as reasonably practicable thereafter; provided, however, that Class 1	100%

Summary of Classification and Treatment of Claims and Equity Interests under the Plan				
CLASS	**DESCRIPTION**	**ESTIMATED ALLOWED CLAIMS**	**TREATMENT OF ALLOWED CLAIMS AND EQUITY INTERESTS WITHIN CLASS**	**ANTICIPATED RECOVERY[2]**
			Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto in the discretion of the Disbursing Agent without further notice to or order of the Bankruptcy Court.	
2	General Unsecured Claims	$1,000	Unimpaired; deemed to accept. Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed General Unsecured Claim, on the later of (a) the Effective Date and (b) the date on which such General Unsecured Claim becomes Allowed, or as soon as practicable thereafter, each Holder of an Allowed General Unsecured Claim shall be paid in full, with interest paid at the Federal Judgment Interest Rate. Unless otherwise provided by an Order of the Bankruptcy Court, no fees or penalties of any kind shall be paid to the holders of Allowed General Unsecured Claims.	100%
3	Equity Interests	N/A	Impaired; entitled to vote. The Holders of Equity Interests shall retain their Previously Issued Common Stock, but such Previously Issued Common Stock shall be subject to dilution from the issuance of New Common Stock as provided by	N/A

Summary of Classification and Treatment of Claims and Equity Interests under the Plan				
CLASS	**DESCRIPTION**	**ESTIMATED ALLOWED CLAIMS**	**TREATMENT OF ALLOWED CLAIMS AND EQUITY INTERESTS WITHIN CLASS**	**ANTICIPATED RECOVERY[2]**
			the Plan, and because of issuance of certain warrants under the Third Financing Order.	

THE TREATMENT AND DISTRIBUTIONS, IF ANY, PROVIDED TO HOLDERS OF ALLOWED CLAIMS PURSUANT TO THE PLAN WILL BE IN FULL AND COMPLETE SATISFACTION OF ALL LEGAL, EQUITABLE, OR CONTRACTUAL RIGHTS REPRESENTED BY SUCH CLAIMS.

E. Eligibility to Vote

1. Who May Vote

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or interests that are "impaired" under a plan may vote to accept or reject such plan. Generally, a claim or interest is impaired under a plan if the holder's legal, equitable or contractual rights are changed under such plan. In addition, if the holders of claims or interests in an impaired class do not receive or retain any property under a plan on account of such claims or interests, such impaired class is deemed to have rejected the plan under section 1126(g) of the Bankruptcy Code and, therefore, such holders do not need to vote on the plan.

With respect to the Plan, a Claim or Equity Interest must be "Allowed" for purposes of voting in order for such creditor to have the right to vote. Generally, for voting purposes, a Claim or Equity Interest is deemed "Allowed" absent an objection to the Claim or Equity Interest if (i) a Proof of Claim was timely filed, or (ii) if no Proof of Claim was filed, the Claim or Equity Interest is identified in the Debtor's Schedules as other than "disputed," "contingent," or "unliquidated," and an amount of the Claim or Equity Interest is specified in the Schedules, in which case the Claim or Equity Interest will be deemed Allowed for the specified amount. In either case, when an objection to a Claim or Equity Interest is filed, the holder of such Claim or Equity Interest cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules the objection, or deems the Claim or Equity Interest to be Allowed for voting purposes.

In connection with the Plan, therefore:

- Claims in Classes 1 (Priority Non-Tax Claims) and 2 (General Unsecured Claims) are unimpaired; accordingly, Holders of such Claims are conclusively presumed to have accepted the Plan.
- Equity Interests in Class 3 (Equity Interests) are impaired; accordingly, Holders of such Equity Interests are entitled to vote to accept or reject the Plan.

The Bankruptcy Code defines "acceptance" of a plan by (a) a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan and (b) a class of interests as acceptance by holders in the class that hold at least two-thirds of the number of interests that cast ballots for acceptance or rejection of the plan. **Your vote on the Plan is important**. The Bankruptcy Code requires as a condition to confirmation of a plan of reorganization that each class that is impaired and entitled to vote under a plan vote to accept such plan, unless the provisions of section 1129(b) of the Bankruptcy Code are met. Because there is only one Class that is permitted to vote, however, the Debtor will not request confirmation of the Plan under section 1129(b) of the Bankruptcy Code if that Class (Class 3) votes to reject the Plan.

2. How to Vote

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. This Disclosure Statement, the Exhibits attached hereto, the documents incorporated herein by reference, the Plan and the related documents are the only materials the Debtor is providing to parties for their use in determining whether to vote to accept or reject the Plan, and such materials may not be relied upon or used for any purpose other than to vote to accept or reject the Plan. Unless otherwise directed in your solicitation package, mail your completed Ballot(s) to the Debtor's claims, noticing and balloting agent (the "Balloting Agent") at the address below:

If by First Class Mail:	**If by Hand Delivery or Overnight Courier:**
Donlin, Recano & Company, Inc., Re: Triad Guaranty Inc. Attn: Voting Department P.O. Box 192016 Blythebourne Station, Brooklyn, NY 11219	Donlin, Recano & Company, Inc., Re: Triad Guaranty Inc. Attn: Voting Department 6201 15th Ave. Brooklyn, NY 11219

BALLOTS MUST BE COMPLETED AND RECEIVED NO LATER THAN THE VOTING DEADLINE OF 4:00 P.M. (PREVAILING EASTERN TIME) ON OCTOBER 16, 2017. ANY BALLOT THAT IS NOT EXECUTED BY A DULY AUTHORIZED PERSON WILL NOT BE COUNTED. ANY BALLOT THAT IS EXECUTED BY THE HOLDER OF AN EQUITY INTEREST BUT THAT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED. FACSIMILE, EMAIL OR ELECTRONICALLY TRANSMITTED BALLOTS WILL NOT BE ACCEPTED. IF A HOLDER OF AN EQUITY INTEREST SHOULD CAST MORE THAN ONE BALLOT VOTING THE SAME CLAIM PRIOR TO THE VOTING DEADLINE, ONLY THE LAST-DATED TIMELY BALLOT RECEIVED BY THE BALLOTING AGENT WILL BE COUNTED. ADDITIONALLY, YOU MAY NOT SPLIT YOUR VOTES FOR YOUR CLAIMS WITHIN A PARTICULAR CLASS UNDER THE PLAN EITHER TO ACCEPT OR REJECT THE PLAN.

THEREFORE, A BALLOT OR A GROUP OF BALLOTS RECEIVED FROM AN EQUITY HOLDER THAT PARTIALLY REJECTS AND PARTIALLY ACCEPTS THE PLAN WILL NOT BE COUNTED.

The Bankruptcy Court has fixed September 8, 2017 (the "Voting Record Date") as the time and date for the determination of Persons who are entitled to receive a copy of this Disclosure Statement and all of the related materials and to vote whether to accept or reject the Plan. Accordingly, only Holders of record of Equity Interests as of the applicable Voting Record Date that are entitled to vote on the Plan, will receive a Ballot and may vote on the Plan.

Unless the Bankruptcy Court permits you to do so after notice and hearing to determine whether sufficient cause exists to permit the change, you may not change your vote after the voting deadline passes. **DO NOT RETURN ANY SECURITIES WITH YOUR BALLOT. DO NOT RETURN BALLOTS TO THE BANKRUPTCY COURT.**

IF YOU BELIEVE THAT YOU ARE A HOLDER OF A CLAIM IN A VOTING CLASS FOR WHICH YOU DID NOT RECEIVE A BALLOT, IF YOUR BALLOT IS DAMAGED OR LOST, OR IF YOU HAVE QUESTIONS CONCERNING VOTING PROCEDURES, PLEASE CONTACT DONLIN RECANO BY (A) CALLING (212) 771-1128; (B) WRITING TO DONLIN, RECANO & COMPANY, INC. ATTN: TRIAD GUARANTY INC. P.O. BOX 192016 BLYTHEBOURNE STATION BROOKLYN, NY 11219; AND/OR (C) EMAILING DRCVOTE@DONLINRECANO.COM. PLEASE NOTE THAT DONLIN RECANO CANNOT PROVIDE YOU WITH LEGAL ADVICE.

If you did not receive a Ballot and believe that you are entitled to vote on the Plan, you must either (a) obtain a Ballot by contacting the Balloting Agent as set forth above and timely submit such Ballot by the Voting Deadline, or (b) file a Motion pursuant to Rule 3018 of the Bankruptcy Rules with the Bankruptcy Court for the temporary allowance of your Claim or Equity Interest for voting purposes by September 15, 2017 (Prevailing Eastern Time), or you will not be entitled to vote to accept or reject the Plan.

THE DEBTOR AND THE REORGANIZED DEBTOR, AS APPLICABLE, IN ALL EVENTS RESERVE THE RIGHT THROUGH THE CLAIM RECONCILIATION PROCESS TO OBJECT TO OR SEEK TO DISALLOW ANY CLAIM FOR DISTRIBUTION PURPOSES UNDER THE PLAN, EVEN IF THE HOLDER OF SUCH CLAIM VOTED TO ACCEPT OR REJECT THE PLAN.

All properly completed Ballots received prior to the Voting Deadline will be counted for purposes of determining whether Class 3 has accepted the Plan. The Balloting Agent will prepare and file with the Bankruptcy Court a certification of the results of the balloting with respect to the Class entitled to vote.

HOLDERS OF EQUITY INTERESTS VOTING TO ACCEPT THE PLAN (AND, FOR THE AVOIDANCE OF DOUBT, HOLDERS OF EQUITY INTERESTS WHO RECEIVE THE DISCLOSURE STATEMENT AND PLAN AND ELECT NOT TO TIMELY RETURN A BALLOT) WILL BE DEEMED TO HAVE GRANTED THE THIRD PARTY RELEASE PROVIDED FOR IN ARTICLE XII OF THE PLAN AND DESCRIBED BELOW. HOLDERS WHO DO NOT DESIRE TO GRANT THE THIRD PARTY RELEASE SHOULD GOVERN THEMSELVES ACCORDINGLY.

The Debtor reserves the right to object to any Proof of Equity Interest after the Voting Record Date. With respect to any such objection, the Debtor may request, on notice, that any vote cast by the Holder of the subject claim not be counted in determining whether the requirements of section 1126(c) of the Bankruptcy Code have been met. In the absence of any such request, the Holder of the subject Equity Interest will be entitled to vote or receive notice, as applicable under the Disclosure Statement Order, in accordance with its Proof of Equity Interest.

Nothing in the solicitation procedures affects the right of the Debtor or the Reorganized Debtor to object to any Proof of Claim or Equity Interest on any ground or for any purpose prior to the applicable Claims Objection Deadline established by the Plan.

3. Importance of Your Vote

YOUR VOTE IS IMPORTANT. ONLY THOSE EQUITY HOLDERS WHO ACTUALLY VOTE ARE COUNTED FOR PURPOSES OF DETERMINING WHETHER A CLASS HAS VOTED TO ACCEPT THE PLAN. YOUR FAILURE TO VOTE WILL LEAVE TO OTHERS THE DECISION TO ACCEPT OR REJECT THE PLAN.

THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS AND RECOMMENDS THAT ALL PARTIES ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

F. Special Notice of Third Party Release

THE PLAN PROVIDES THAT, AS OF THE EFFECTIVE DATE, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW, FOR GOOD AND VALUABLE CONSIDERATION, EACH PRESENT AND FORMER HOLDER OF A CLAIM OR EQUITY INTEREST SHALL BE DEEMED TO RELEASE, AND FOREVER WAIVE AND DISCHARGE ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, AND LIABILITIES (OTHER THAN THE RIGHTS TO ENFORCE THE DEBTOR'S OR THE REORGANIZED DEBTOR'S OBLIGATIONS UNDER ANY ORDER OF THE BANKRUPTCY COURT, THIS PLAN AND THE SECURITIES, CONTRACTS, INSTRUMENTS,

RELEASES, AND OTHER AGREEMENTS AND DOCUMENTS DELIVERED THEREUNDER), WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE THAT ARE BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTOR, THE CHAPTER 11 CASE, OR THIS PLAN AGAINST ANY CREDITOR AND DEBTOR RELEASEE, EXCEPT FOR ACTS CONSTITUTING FRAUD, WILLFUL MISCONDUCT, OR GROSS NEGLIGENCE AS DETERMINED BY A FINAL ORDER.

G. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan.

1. Time and Place of the Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code and Rule 3017(c) of the Bankruptcy Rules, the Bankruptcy Court has scheduled the Confirmation Hearing to commence on **October 31, 2017 at 11:30 a.m.** (**Prevailing Eastern Time**) before the Honorable Mary F. Walrath, of the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 5th Floor, Courtroom No. 4, Wilmington, Delaware 19801. A notice setting forth the time and date of the Confirmation Hearing has been included along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of such adjourned hearing date by the Bankruptcy Court in open court at such hearing.

2. Objections to the Plan

Any objection to confirmation of the Plan must be in writing; must comply with the Bankruptcy Code, Bankruptcy Rules, and the Local Rules of the Bankruptcy Court; and must be filed with the United States Bankruptcy Court for the District of Delaware, and served upon the following parties, so as to be received no later than **October 16, 2017 at 4:00 p.m.** (**Prevailing Eastern Time**): (a) Thomas M. Horan and David R. Doyle, Shaw Fishman Glantz & Towbin LLC, 300 Delaware Avenue, Suite 1370, Wilmington, DE 19801 (counsel for the Debtor), and (b) Jane M. Leamy, Office of the United States Trustee, 844 King Street, Suite 2207, Wilmington, Delaware 19801.

FOR THE REASONS SET FORTH BELOW, THE DEBTOR URGES YOU TO RETURN YOUR BALLOT TO "ACCEPT" THE PLAN.

ARTICLE II
BACKGROUND OF THE DEBTOR AND THE CHAPTER 11 CASE

A. Overview of the Debtor's Business

The Debtor, a Delaware corporation in 1993, is an insurance holding company whose stock had, until 2013, been publicly-traded on the NASDAQ, and now is quoted under the symbol TGICQ on the OTCQB Pink Tier operated by OTC Markets Group. Through its principal regulated subsidiaries, Triad Guaranty Insurance Company ("TGIC") and Triad Guaranty Assurance Company ("TGAC"), the Debtor principally provided residential mortgage insurance. TGIC was formed in 1987 and ultimately provided private mortgage insurance coverage in the United States in all 50 states and the District of Columbia. Mortgage insurance provides loss protection to mortgage lenders and investors in the event of borrower defaults.

Mortgage insurance is issued in many home purchase and refinance transactions involving conventional residential first mortgage loans to borrowers with equity of less than 20%. If the homeowner defaults on the mortgage, mortgage insurance reduces, and in some instances eliminates, any loss to the insured lender. Mortgage insurance also facilitates the sale of low down payment mortgage loans in the secondary mortgage market. Investors and lenders also purchase mortgage insurance to obtain additional default protection or capital relief on loans with equity of greater than 20%.

The adverse events in the real estate, mortgage and financial markets beginning in 2008 were unprecedented. Steep declines in real estate values, tightening markets for obtaining capital or credit, and the liquidity concerns of financial institutions created a significant amount of uncertainty in the capital markets, resulting in significant downward pressure on asset values, including single family homes. This in turn created unprecedented defaults on mortgages, including mortgages insured by TGIC. As a result, TGIC ceased issuing commitments for new business on July 15, 2008 and entered into voluntary run-off. TGIC operated its business in run-off under the supervision of the Illinois Department of Insurance (the "Department") for approximately 4-1/2 years.

Effective October 18, 1993, the Debtor and TGIC entered into that certain Consolidated Tax Allocation Agreement, wherein the parties (in their capacities as signatories to the Consolidated Tax Allocation Agreement, the "Consolidated Tax Group") agreed, among other things, to file a consolidated federal income tax return under provisions of section 1501 et seq. of the Internal Revenue Code (as amended, the "Tax Allocation Agreement"). TGAC became a party to the Tax Allocation Agreement by an amendment thereto following TGAC's formation. A copy of the Tax Allocation Agreement is attached hereto as Exhibit C. The Tax Allocation Agreement and the Internal Revenue Code govern the manner in which the Consolidated Tax Group and the individual members thereof may use certain tax attributes of the Consolidated Tax Group.

When reference is made herein to net operating losses or NOLs of the Debtor, it should be understood that the NOLs are the property of the Consolidated Tax Group, and not solely the Debtor. Nothing herein should be understood as an assertion or implication that the Debtor has exclusive rights to or interests in the NOLs of the Consolidated Tax Group. Any member of the Consolidated Tax Group's use of the NOLs is subject to the terms of the TAA and the Internal Revenue Code.

The Debtor currently understands that of the NOLs available to the Consolidated Tax Group, approximately $4.85 million of those NOLs was generated by the Debtor, and the remainder was generated by TGIC or TGAC.

Creditors, Equity Interest Holders, and parties-in-interest are encouraged to consult with their own advisors regarding net operating losses generally and how the rights of the Consolidated Tax Group in the NOLs and other tax attributes may be determined.

On December 11, 2012, Andrew Boron, then the Illinois Director of Insurance (the "Director") issued an Administrative Order recommending that TGIC be placed into rehabilitation. Also on December 11, 2012, the Director filed a Complaint for Rehabilitation against TGIC in the Circuit Court, Chancery Division of Cook County, Illinois, Case No. 12 CH 43895 (the "Rehabilitation Court"), and on that same day, the Rehabilitation Court entered an Order of Rehabilitation with a Finding of Insolvency (the "Rehabilitation Order") against TGIC whereby the Receiver took possession and control over all of the assets, liabilities and operations of TGIC and the Rehabilitation Court appointed the Director as the statutory rehabilitator of TGIC (the "Receiver").

Prior to the issuance of the Rehabilitation Order, TGIC entered into voluntary run-off and was operated under an Agreed Corrective Order No. 01-2008 issued by the Director effective on August 5, 2008 (the "Initial Order") and a second Agreed Corrective Order issued by the Director effective on March 31, 2009, as amended on May 26, 2009 (the "Second Order" and together with the Initial Order, the "Corrective Orders").

Prior to the issuance of the Rehabilitation Order, the Debtor shared its corporate offices, information systems and other tangible and intangible assets with TGIC. Also prior to the issuance of the Rehabilitation Order, the Debtor and TGIC entered into a Services Agreement dated as of December 1, 2009 by and among the Debtor, TGIC, and Essent Guaranty, Inc., a Pennsylvania stock insurance company ("Essent"), pursuant to which Essent provides the Debtor and TGIC with ongoing information systems maintenance and services, customer services, policy administration support, disaster recovery services and business continuity planning, as well as certain technology development services in furtherance of the run-off of TGIC's existing in-force book of business (the "Essent Agreement").

Pursuant to section 131.20a of the Illinois Insurance Code, 215 ILCS 5/131.20a and the Initial Order, the Director approved the Essent Agreement. Prior to the

issuance of the Rehabilitation Order, the Debtor had no employees, the executive officers of the Debtor were also executive officers of TGIC, and many of the executive officers and employees of TGIC provided administrative and other services to the Debtor.

The Debtor is a holding company which does not today, and never has had, employees. Prior to December 11, 2012, the Debtor, through its wholly-owned subsidiary, TGIC, was a nationwide mortgage guaranty insurer pursuing a run-off of its existing in-force book of business.

TGIC is an Illinois-domiciled mortgage guaranty insurance company and TGAC is an Illinois-domiciled mortgage guaranty reinsurance company. The Department is the primary regulator of both TGIC and TGAC. The Illinois Insurance Code grants broad powers to the Department and its director to enforce rules or exercise discretion over almost all significant aspects of Triad's insurance business.

TGIC ceased issuing new commitments for mortgage guaranty insurance coverage in 2008 and prior to December 11, 2012, operated its business in run-off under two Corrective Orders issued by the Department. The first Corrective Order was issued in 2008. The second Corrective Order was issued in 2009. Servicing existing policies during run-off includes:

(a) billing and collecting premiums on policies that remain in force;

(b) working with borrowers in default to remedy the default and/or mitigate losses;

(c) reviewing claims filed under policies for the existence of misrepresentation, fraud or non-compliance with stated programs; and

(d) settling all legitimate filed claims per the provisions of the policies and the two Corrective Orders issued by the Department.

The term "settled," as used herein in the context of the payment of a claim, refers to the satisfaction of TGIC's obligations following the submission of valid claims by its policyholders. As required by the second Corrective Order, effective on and after June 1, 2009, valid claims were settled by a combination of 60% in cash and 40% in the form of a deferred payment obligation ("DPO"). The Corrective Orders, among other things, allowed management to continue to operate TGIC under the close supervision of the Department, included restrictions on the distribution of dividends or interest on notes payable to the Debtor by TGIC, and included certain requirements on the payment of claims. During the third quarter of 2012, TGIC reported that it was not in compliance with a provision in the second Corrective Order.

The second Corrective Order required TGIC to set aside invested assets in an escrow account in an amount equal to the combined DPO and accrued interest thereon. The second Corrective Order also required TGIC to accrue interest on the DPO at a rate equal to TGIC's investment portfolio yield as defined in the second Corrective Order. On September 30, 2012, the recorded DPO, including accrued interest of $45.7 million, amounted to $765.0 million, which exceeded the cash and invested assets of TGIC at that date. TGIC previously reported to the Department that as of August 31, 2012, the aggregate amount of the DPO liability exceeded the cash and invested assets of TGIC that were available for segregation in a separate account. Accordingly, TGIC was not in compliance with this provision of the second Corrective Order as of August 31, 2012. TGIC asked the Department to amend, modify or otherwise waive compliance with this provision of the second Corrective Order. In addition, TGIC requested that the calculation of the interest on the DPO prescribed in the second Corrective Order be amended to limit the amount to a maximum equal to the actual aggregate net investment income that TGIC earns rather than an amount based on the effective rate earned by TGIC on its investments.

In response to TGIC's requests for these modifications to the second Corrective Order, the Department held a public hearing on September 10, 2012, and invited TGIC and its policyholders to provide testimony regarding these proposed amendments. In addition, the Department invited TGIC and its policyholders to provide testimony as to whether TGIC should be permitted to continue to run off its existing book of insurance business or whether the Department should implement a different regulatory approach, including receivership proceedings for the conservation, rehabilitation or liquidation of TGIC. The Department extended the period for comments and written testimony on these matters until November 30, 2012.

On December 11, 2012, the Department issued an Administrative Order recommending that TGIC be placed into rehabilitation, whereby the Department took possession and control over all of the assets and liabilities of TGIC. Also on December 11, 2012, the Department filed a Complaint for Rehabilitation with a Finding of Insolvency with the Circuit Court, Chancery Division of Cook County, Illinois requesting that the court enter an Order of Rehabilitation with respect to TGIC, which Order was granted. TGIC's Board of Directors consented to the Order of Rehabilitation. Upon entry of the Order of Rehabilitation by the court, the Director of the Department was vested with possession and control over TGIC, and the Debtor ceased to have any oversight or authority over TGIC and its business affairs.

On December 11, 2012, the Order for Rehabilitation was entered. Since then, the Department terminated much of TGIC's management. Meanwhile, against the backdrop of the Securities Class Action and the search for an appropriate vehicle to make use of the NOLs, the Debtor's cash position continues to deteriorate without any sources for new income. Accordingly, to permit the Debtor flexibility to maximize value for stakeholders by addressing the On December 11, 2012, the Order for Rehabilitation was entered. Since then, the Department terminated much of TGIC's management. Meanwhile, against the backdrop of the Securities Class Action and the search for an appropriate vehicle to make use of the NOLs, the

Debtor's cash position continued to deteriorate without any sources for new income. Accordingly, to permit the Debtor flexibility to maximize value for stakeholders by addressing the Securities Class Action and the NOLs, the Debtor determined to commence the Chapter 11 Case.

As of the Petition Date, the Debtor's main assets were its tax attributes and approximately $800,000 in cash.

B. <u>The Bankruptcy Case</u>

On June 3, 2013, the Debtor commenced this case by filing a petition under Chapter 11 of the Bankruptcy Code.

1. <u>First Day Motions</u>

On the Petition Date, the Debtor filed two motions. It filed its (a) Motion to Approve Interim and Final Orders Pursuant to Sections 105(a), 362, and 541 of the Bankruptcy code (i) Establishing Procedures for (a) Certain Transfers of Equity Interests, and (b) Taking or Implementing Certain Other Actions Affecting the Interests of the Debtor, and (ii) Scheduling a Final Hearing (the "<u>Trading Motion</u>") [D.I. 4] and its (b) Motion for Entry of Interim and Final Orders (a) Authorizing the Debtor to Continue Using its Bank Accounts and Business Forms and (b) Granting Related Relief (the "<u>Cash Management Motion</u>") [D.I. 5].

On June 5, 2013, the Bankruptcy Court held a first day hearing where it entered interim orders granting the Trading Motion [D.I. 14] and Cash Management Motion [D.I. 17].

a. <u>The Cash Management Motion</u>

On July 8, 2017, the Bankruptcy Court entered a final order granting the Cash Management Motion [D.I. 59].

b. <u>The Trading Motion</u>

On August 2, 2013, Andrew Boron, Director of Insurance of the State of Illinois Acting as Rehabilitator of Triad Guaranty Insurance Corporation and Triad Guaranty Assurance Corporation, filed his objection to the Trading Motion and Request for Relief from the Automatic Stay to the Extent it Applies to the State Court Rehabilitation Proceeding [D.I. 98]. On September 5, 2013, the Bankruptcy Court entered its second interim order regarding the Trading Motion [D.I. 147], which remains in effect.

2. <u>Debtor's Professionals</u>

On July 8, 2013, the Bankruptcy Court entered orders authorizing the Debtor to retain certain professionals. Specifically, the Court entered its Order Authorizing Retention and Employment of Womble Carlyle Sandridge & Rice, LLP as

Counsel for the Debtor Nunc Pro Tunc to June 3, 2013 [D.I. 56] and its Order Granting Debtor's Application for Entry of an Order Authorizing Employment and Retention of Morrison & Foerster LLP as Special Counsel to Debtor [D.I. 55]. The Bankruptcy Court also entered its Order Authorizing Retention and Appointment of Donlin, Recano & Company, Inc. as Claims and Noticing Agent Nunc Pro Tunc to June 10, 2013 [D.I. 58].

Later, the Debtor engaged new counsel in the Chapter 11 Case. On July 11, 2017, the Court entered its Order Granting Application Of The Debtor For Entry Of An Order Authorizing And Approving The Employment And Retention Of Shaw Fishman Glantz & Towbin LLC As Counsel Nunc Pro Tunc To June 5, 2017 [D.I. 483].

3. Proof of Claim Bar Dates

On August 20, 2013, the Bankruptcy Court entered its Order Establishing Bar Dates for Filing Proofs of Claim and Approving the Form and Manner of Notice Thereof (the "Bar Date Order") [D.I. 124]. Under the Bar Date Order, the Bankruptcy Court established October 31, 2013 as the deadline to file a proof of claim for non-governmental claims. The Bar Date Order established December 2, 2013 as the deadline for governmental units to file a proof of claim.

4. Resolution of Securities Class Action

On January 28, 2009, James L. Phillips, individually and on behalf of all others similarly situated (the "Phillips Plaintiff"), filed a securities class action lawsuit (the "Securities Class Action") in the United States District Court for the Middle District of North Carolina, Winston-Salem Division (Case No. 1:09-wv-00071). The Securities Class Action was filed purportedly on behalf of all persons who purchased or otherwise acquired common stock of Triad between October 26, 2006 and November 10, 2008, naming as defendants the Debtor and two of the Debtor's former officers, Mr. Mark K. Tonnesen and Mr. Kenneth W. Jones (the "Former Officers"), and alleging violations of the Securities Exchange Act of 1934.

The pressure imposed on the Debtor by the Securities Class Action was one of central causes of this Chapter 11 Case.

On July 12, 2013, the Debtor commenced an adversary proceeding [Adv. Proc. No. 13-51224] by filing its Verified Complaint for Declaratory Judgment and Injunctive Relief (the "Phillips Complaint"). In the Phillips Complaint, the Debtor sought (i) a declaratory judgment that the automatic stay of Bankruptcy Code section 362 applied to the Securities Class Action as to the Former Officers and (ii) an injunction against the continuation of the Securities Class Action as to the Former Officers until the effective date of any plan in this Chapter 11 Case.

After negotiations, the Debtor and the Phillips Plaintiff entered into a stipulation (the "Phillips Stipulation") to resolve the Securities Class Action and the Phillips Complaint. Specifically, the Phillips Plaintiff agreed to dismiss the Securities

Class Action as to the Debtor in exchange for certain non-monetary consideration from the Debtor.

On October 15, 2013, the Bankruptcy Court entered an order approving the Phillips Stipulation [Adv. Proc. No. 13-51224, D.I. 15]. Thereafter, the Debtor was dismissed from the Securities Class Action, and the Debtor dismissed the Phillips Complaint.

5. Litigation with the Illinois Director of Insurance

On August 30, 2013, the Debtor filed a complaint (the "Complaint") against Triad Guaranty Insurance Corp., Triad Guaranty Assurance Corp., and Andrew Boron, Director of Insurance of the State of Illinois acting as Rehabilitator of Triad Insurance Corp, and Triad Guaranty Assurance Corp. (collectively, in their capacities as defendants named in the Complaint, the "Defendants") [Adv. Pro. No. 13-51749]. By the Complaint, the Debtor asserted ten counts seeking relief.

Count I of the Complaint sought a declaratory judgment that pursuant to 28 U.S.C. § 2201, the Debtor is entitled to entry of a judgment declaring that it has the exclusive right, pursuant to 26 C.F.R. § 1.1502-77(a)(1)(i), to act in its own name with respect to all matters relating to the Consolidated Tax Group's federal income tax liability for that tax year, and that such right is property of the Debtor's estate pursuant to section 541 of the Bankruptcy Code.

Count II of the Complaint sought a declaratory judgment that pursuant to 28 U.S.C. § 2201, the Debtor is entitled to entry of a judgment declaring that, independent of which member of the Consolidated Tax Group owns any federal income tax refund, the Debtor has the exclusive right, pursuant to 26 C.F.R. § 1.1502-77(a)(2)(v), to file claims for and receive any federal income tax refund on behalf of the Consolidated Tax Group, and that such right is property of the Debtor's estate pursuant to section 541 of the Bankruptcy Code.

Count III of the Complaint sought a declaratory judgment that pursuant to 28 U.S.C. § 2201, the Debtor is entitled to entry of a judgment declaring that it has the exclusive right, pursuant to 26 C.F.R. §§ 1.1502-75(h)(1) and 1.1502- 11(a)(2), to take into account the CNOL on the Consolidated Tax Group's federal income tax return, and that such right is property of the Debtor's estate pursuant to section 541 of the Bankruptcy Code.

Count IV of the Complaint sought a declaratory judgment that pursuant to 28 U.S.C. § 2201, the Debtor is entitled to entry of a judgment declaring that it has the exclusive right, pursuant to 26 C.F.R. § 1.1502-36(d)(6)(i)(B), to reattribute to itself some or all of the CNOL otherwise allocable to TGIC in the event that TGIC were to deconsolidate from the Consolidated Tax Group, and that such right is property of the Debtor's estate pursuant to section 541 of the Bankruptcy Code.

Count V of the Complaint sought a declaratory judgment that pursuant to 28 U.S.C. § 2201, the Debtor is entitled to entry of a judgment declaring that it has the exclusive right, pursuant to 26 U.S.C. §§ 338(h)(10), 332, 381(a) and 381(c), to inherit the Tax Attributes by selling TGIC's stock to a third party and making an election under 26 U.S.C. § 338(h)(10), and that such right is property of the Debtor's estate pursuant to section 541 of the Bankruptcy Code.

Count VI of the Complaint sought a declaratory judgment that pursuant to 28 U.S.C. § 2201, the Debtor is entitled to entry of a judgment declaring that it has the exclusive right, pursuant to 26 U.S.C. § 165(g) and 26 C.F.R. § 1.1502- 80(c), to take a worthless stock deduction with respect to TGIC's stock, and that such right is property of the Debtor's estate pursuant to section 541 of the Bankruptcy Code.

Count VII of the Complaint sought a declaratory judgment that pursuant to 28 U.S.C. § 2201, the Debtor is entitled to entry of a judgment declaring that the Debtor's CNOL Interest is property of the Debtor's estate pursuant to Bankruptcy Code section 541.

Count VIII of the Complaint sought a declaratory judgment that pursuant to 28 U.S.C. § 2201, the Debtor is entitled to entry of a judgment declaring that this Court has exclusive in rem jurisdiction over each of the property rights and interests asserted in Counts I through VII that the Court declares are property of the Debtor's estate pursuant to section 541 of the Bankruptcy Code.

Count IX sought an injunction prohibiting the defendants from (i) commencing or continuing any action or proceeding against the Debtor on account of the Debtor's exercise of control over the Tax Rights and Attributes, or (ii)(A) taking any Impairment Action or (B) failing to take any action that is necessary to preserve the Tax Rights and Attributes, without prior leave of this Court.

Count X sought an injunction prohibiting the Defendants from (i) commencing or continuing any action or proceeding against the Debtor on account of the Debtor's exercise of control over the Tax Rights and Attributes, or (ii)(A) taking any Impairment Action or (B) failing to take any action that is necessary to preserve the Tax Rights and Attributes, without prior leave of this Court.

On October 3, 2013, the Defendants filed their Motion to Dismiss the Adversary Proceeding or for Abstention [Adv. Pro. No. 13-51749, D.I. 20].

On November 21, 2013, the Bankruptcy Court entered its Order (I) Granting In Part And Denying In Part Motion Of Defendant Andrew Boron, Director Of Insurance Of The State Of Illinois, Acting As Rehabilitator For, And On Behalf Of, Triad Guaranty Insurance Corporation And Triad Guaranty Assurance Corporation, To Dismiss Adversary Complaint Or For Abstention And (II) Referring Matter To Mediation [Adv. Pro. No. 13-51749, D.I. 70], where the Bankruptcy Court dismissed Counts II, IV, IX,

and X of the Complaint, made other findings, and granted other relief, including referring the adversary proceeding to mediation.

On January 6, 2014, the Defendants filed their answer to the Complaint, and asserted a counterclaim seeking relief from the automatic stay [Adv. Pro. No. 13-51749, D.I. 83].

On January 27, 2014, the Debtor filed a motion to dismiss the Defendants' counterclaim [Adv. Pro. No. 13-51749, D.I. 86] and its Motion for Summary Judgment on Counts VI and VIII of its Complaint [Adv. Pro. No. 13-51749, D.I. 88]. On February 27, 2014, the Bankruptcy Court denied the Debtor's motion to dismiss the Defendants' counterclaim [Adv. Pro. No. 13-51749, D.I. 118]. On June 13, 2014, the Bankruptcy Court entered an order denying Debtor's Motion for Summary Judgment on Counts VI and VIII of its Complaint (the "Summary Judgment Order") [Adv. Pro. No. 13-51749, D.I. 141].

On July 28, 2014, to more efficiently dispose of the adversary proceeding and move on to seeking appellate review, the Debtor filed the Debtor's Motion for Entry of Judgment in Defendants' Favor on All Remaining Claims or, in the Alternative, Motion for Certification Pursuant to Fed. R. Bankr. P. 7054 and Fed. R. Civ. P. 54(b) [Adv. Pro. No. 13-51749, D.I. 149], which the Bankruptcy Court granted by an order dated October 22, 2014 (the "Entry of Judgment") [Adv. Pro. No. 13-51749, D.I. 163].

On November 5, 2014, the Debtor filed its Notice of Appeal [Adv. Pro. No. 13-51749, D.I. 172].

On June 27, 2016, the United States District Court for the District of Delaware, entered an order affirming the Summary Judgment Order and the Entry of Judgment [Adv. Pro. No. 13-51749, D.I. 181].

The Debtor did not appeal to the United States Court of Appeals for the Third Circuit.

6. The Tax Payment Agreement

On April 18, 2017, the Debtor filed its Motion for Entry of an Order Pursuant to Bankruptcy Code Sections 105(a) and 364(c)(1) Approving Entry into Tax Payment Agreement (the "TPA Motion") [D.I. 449]. By the TPA Motion, the Debtor sought approval to enter into a Tax Payment Agreement (the "TPA") with TGIC and TGAC. A copy of the TPA is attached hereto as Exhibit D.

On May 9, 2017, the Court entered an order approving the TPA Motion [D.I. 453] that provides among other things, that the TPA is approved, and that (i) any refund in the amount of an Overpayment shall not constitute property of the Debtor or its estate; (ii) to the extent any such Overpayment becomes property of the estate, then TGIC and/or TGAC are granted a priming superpriority administrative expense for the obligation to return such Overpayments; and (iii) the obligation to repay an

Overpayment will not be deemed a violation of any provisions of the Bankruptcy Code, including Bankruptcy Code section 362.

7. Debtor-in-Possession Financing

During this Chapter 11 Case, the Bankruptcy Court has entered three orders authorizing the Debtor to incur post-petition debt to meet its obligations as a debtor.

On March 10, 2016, the Bankruptcy Court entered its Order Authorizing Debtors To: (A) Incur Postpetition Debt On An Emergency Basis Pending A Final Hearing; And (B) Grant Adequate Protection And Provide Other Relief (the "First Financing Order") [D.I. 389]. Under the First Financing Order, the Debtor received interim authority to incur debt under a facility provided by William T. Ratliff, III. The First Financing Order became a final order on April 5, 2016 and authorized the Debtor to incur $45,000 in debt [D.I. 396].

On March 31, 2017, the Bankruptcy Court entered its Second Order Authorizing Debtors To: (A) Incur Postpetition Debt On An Emergency Basis Pending A Final Hearing; And (B) Grant Adequate Protection And Provide Other Relief (the "Second Financing Order") [D.I. 435], authorizing the Debtor to incur a further $20,000 in debt financed by William T. Ratliff, III.

On July 12, 2017, the Bankruptcy Court entered its Third Order Authorizing Debtors To: (A) Incur Postpetition Debt On An Emergency Basis Pending A Final Hearing; And (B) Grant Adequate Protection And Provide Other Relief (the "Third Financing Order") [D.I. 486], authorizing the Debtor to incur a further $400,000 in debt financed by Triad DIP Investors, LLC. The funding available under the Third Financing Order is intended to finance, among other things, the payment of fees to the Office of the United States Trustee, professional fees, and the costs of soliciting and seeking approval of the Plan. Under section 4.2 of the Promissory Note approved by the Third Financing Order, "[Triad DIP Investors, LLC] shall receive a warrant to acquire 10% of the fully diluted common stock of the Borrower as of the Confirmation Date as consideration for [Triad DIP Investors, LLC]'s commitments under this Note."

C. Post Effective Date Business Plan

The Reorganized Debtor intends to use its existing business structure to create a broad based insurance and investment platform. The Reorganized Debtor and the Plan Proponents believe the company's insurance holding company platform make it uniquely suited to make profitable investments in insurance assets as well as other financial and business assets. Insurance holding companies often invest in stable, long term, cash flowing investments to support long term capital needs.

The Reorganized Debtor intends to initially partner with private equity investors, family offices, and corporate operators to acquire operating assets and financial investments. The Reorganized Debtor's proposed management team shall use

commercially reasonable efforts to rebuild the company into a well-capitalized and profitable insurance and finance company in areas that may include the following, by way of example:

- Insurance Assets — the Reorganized Debtor intends to continue operating as an insurance holding company.

- Asset Portfolio Acquisitions — the Reorganized Debtor will seek opportunistic acquisitions of operating, cash-flow generating assets. Frequently, acquired portfolios may be focused on specialized industries with unique tax attributes, such as solar and wind energy, transport assets and portfolios of leasable equipment. Such investments may lead to further opportunities over the long term, particularly when they come with talented management.

- Equity Investments — In the right circumstances, the Reorganized Debtor may acquire controlling interests in operating companies, including through purchasing senior debt of companies to be later converted into equity, or through outright purchases of controlling equity interests.

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ARTICLE III
SUMMARY OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND MEANS FOR IMPLEMENTATION OF THE PLAN AND THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS THERETO INCLUDED IN THE PLAN SUPPLEMENT AND DEFINITIONS TO THE PLAN).

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN THE DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENT OF SUCH TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN.

THE PLAN AND THE DOCUMENTS REFERRED TO THEREIN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTOR UNDER THE PLAN AND WILL, UPON THE OCCURRENCE OF THE EFFECTIVE DATE, BE BINDING UPON ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR, THE DEBTOR'S ESTATE, THE REORGANIZED DEBTOR, ALL PARTIES RECEIVING DISTRIBUTIONS UNDER THE PLAN AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT

AND THE PLAN OR ANY OTHER DOCUMENT REFERRED TO THEREIN, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor can reorganize its business for the benefit of itself and its holders of claims and interests. Chapter 11 also strives to promote equality of treatment of similarly situated holders of claims and similarly situated holders of interests with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all the legal and equitable interests of a debtor as of the petition date. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against, and interests in, a debtor. Confirmation of a plan of reorganization by a bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan and any holder of claims against or interests in the debtor, whether or not such holders of claims or interests (1) is impaired under or has accepted the plan or (2) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or confirmation order, a confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therewith the obligations specified under the confirmed plan.

Section 1123 of the Bankruptcy Code provides that a plan of reorganization will classify the debtor's holders of claims and interests. Pursuant to section 1122 of the Bankruptcy Code, each class of claims against and interests in a debtor must contain claims or interests, whichever is applicable, that are substantially similar to the other claims or interests in such class. Further, a chapter 11 plan may specify that the legal, contractual and equitable rights of the holders of claims or interests in certain classes are to remain unaltered by the reorganization effectuated by the plan. Such classes are Unimpaired and, because of such favorable treatment, are deemed to accept the plan. Accordingly, a debtor need not solicit votes from the holders of claims or interests in such classes. A chapter 11 plan also may specify that certain classes will not receive any distribution of property or retain any claim against a debtor. Such classes are deemed not to accept the plan and, therefore, need not be solicited to vote to accept or reject the plan. Any classes with claims or interests which are receiving a distribution under the plan but which are not Unimpaired will be solicited to vote to accept or reject the plan.

In compliance with the requirements of section 1123 of the Bankruptcy Code, the Plan divides Claims and Equity Interests into various Classes and sets forth the

treatment for each class. Further, the Debtor believes that the Plan is in compliance with the requirements of section 1122 of the Bankruptcy Code, but it is possible that a Holder of a Claim or Equity Interest may challenge the classification of Claims and Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, the Debtor intends, to the extent permitted by the Bankruptcy Court and the Plan, to make such reasonable modifications to the classifications under the Plan to permit Confirmation and to use the Plan acceptances received in this solicitation for the purpose of obtaining the approval of the reconstituted Class or Classes of which the accepting Holder is ultimately deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan.

The foregoing language, indicating that the Debtor may seek to modify classifications to overcome classification challenges, is disclosure only. It does not commit the Debtor to seek any such modification and it does not require the Bankruptcy Court to permit any such modification. If the Debtor does seek to modify any classifications, any party in interest is free to oppose the modification at that time. The Bankruptcy Court will then determine whether the modification should be permitted.

B. Classification of Claims and Interests

1. Introduction

The categories of Claims and Interests set forth below classify all Claims against and Equity Interests in the Debtor for all purposes of the Plan. A Claim or Equity Interest will be deemed classified in a particular Class only to the extent the Claim or Equity Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest in a particular Class is entitled to the treatment provided for such Class only to the extent that such Claim or Equity Interest is Allowed and has not been paid or otherwise settled prior to the Effective Date. The treatment with respect to each Class of Claims and Equity Interests provided for in the Plan will be in full and complete satisfaction, release and discharge of such Claims and Equity Interests.

2. Classification

Article III of the Plan classifies Claims (except for Administrative Expense Claims, Professional Claims, Priority Tax Claims, and U.S. Trustee Fee Claims) and Equity Interests for all purposes, including voting, confirmation and distribution pursuant to the Plan, as set forth on the following table. As provided in section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Professional Claims, Priority Tax Claims, and U.S. Trustee Fee Claims shall not be classified for the purposes of voting or receiving distributions under the Plan. Rather, all such Claims shall be treated separately as unclassified Claims on the terms set forth in Article II of the Plan.

Except as otherwise provided in the Plan, nothing under the Plan is intended to or will affect the Debtor's or Reorganized Debtor's rights and defenses in respect of any Claim that is "unimpaired" under the Plan, including, but not limited to, all rights in respect of legal and equitable defenses to or setoffs or recoupment against such Unimpaired Claims.

The classification of Claims against and Equity Interests in the Debtor under the Plan is as follows:

CLASS	DESCRIPTION	STATUS
Class 1	Priority Non-Tax Claims	Unimpaired; not entitled to vote.
Class 2	General Unsecured Claims	Unimpaired; not entitled to vote.
Class 3	Equity Interests	Impaired; entitled to vote.

Consistent with section 1122 of the Bankruptcy Code, a Claim is classified by the Plan in a particular Class only to the extent the Claim is within the description of the Class, and a Claim is classified in a different Class to the extent it is within the description of that different Class.

3. Treatment

Article III of the Plan sets forth the treatment of classified Claims and Equity Interests, which is summarized below. The treatment of Claims and Equity Interests in the Plan is in full and complete satisfaction of the legal, contractual, and equitable rights that each Person holding an Allowed Claim or Equity Interest may have in or against the Debtor or its property. This treatment supersedes and replaces any agreements or rights those Persons have in or against the Debtor or its property. The treatment of an Allowed Claim under the Plan is subject in all respects to any agreement by the Holder of such Allowed Claim to accept less favorable treatment. All distributions under the Plan will be tendered to the Person holding the Allowed Claim in accordance with the terms of the Plan. **EXCEPT AS SPECIFICALLY SET FORTH IN THE PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM THAT IS NOT AN ALLOWED CLAIM.**

(a) *Priority Non-Tax Claims (Class 1)*

The Plan defines Priority Non-Tax Claims as any Claim against the Debtor entitled to priority pursuant to Section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Claim.

The Plan provides that, except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to less favorable treatment, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash on the Effective Date or as soon as reasonably practicable thereafter; provided, however, that Class 1 Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business

in accordance with the terms and conditions of any agreements relating thereto in the discretion of the Disbursing Agent without further notice to or order of the Bankruptcy Court.

This treatment satisfies the requirements of Section 1129(a)(9)(B) of the Bankruptcy Code.

Class 1 is Unimpaired. The Holders of Priority Non-Tax Claims are, therefore, not entitled to vote on and are deemed to accept the Plan.

The Debtor did not schedule any Claims as Priority Non-Tax Claims. Approximately $1,316.69 in fixed amount of Priority Non-Tax Claims have been asserted on an aggregate basis in Proofs of Claim filed against the Debtor (not including unliquidated and contingent Claims), all subject to review and possible objection.

(b) *General Unsecured Claims (Class 2)*

The Plan defines General Unsecured Claims as an Unsecured Claim against the Debtor, other than a Senior Notes Claim or a Subordinated Note Claim.

The Plan provides, except to the extent that a Holder of an Allowed General Unsecured Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed General Unsecured Claim, on the later of (a) the Effective Date and (b) the date on which such General Unsecured Claim becomes Allowed, or as soon as practicable thereafter, each Holder of an Allowed General Unsecured Claim shall be paid in full, with interest paid at the Federal Judgment Interest Rate. Unless otherwise provided by an Order of the Bankruptcy Court, no fees or penalties of any kind shall be paid to the holders of Allowed General Unsecured Claims.

Class 3 is Unimpaired. The Holders of Priority Non-Tax Claims are, therefore, not entitled to vote on and are deemed to accept the Plan.

The Debtor estimates that it will have Allowed General Unsecured Claims in the aggregate amount of approximately $1,000, exclusive of any contingent, unliquidated, or disputed Claims that may ultimately become Allowed Claims. No assurances can be made that the aggregate amount of Allowed General Unsecured Claims will not exceed such estimate.

(c) *Equity Interests (Class 3)*

The Plan defines Equity Interests as the interest of any Holder of one or more equity securities of the Debtor (including, without limitation, voting rights, if any, related to such equity securities) represented by issued and outstanding shares of common or preferred stock or other instrument evidencing a present ownership interest in the Debtor, whether or not transferable, or any option, warrant, or right, contractual or

otherwise, to acquire any such interest, including, without limitation, unvested restricted stock.

The Plan provides that Holders of Equity Interests shall retain their Previously Issued Common Stock, but such Previously Issued Common Stock shall be subject to dilution from the issuance of New Common Stock as provided herein, and because of the issuance of certain warrants under the Third Financing Order.

Class 3 is Impaired and entitled to vote to accept or reject the Plan.

C. Treatment of Unclassified Claims

1. Summary

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims against the Debtor are not classified for purposes of voting on, or receiving distributions under, the Plan.

2. Treatment of Administrative Expense Claims

The Plan defines Administrative Expense Claim as a Claim (that is not a Professional Claim) constituting a cost or expense of administration of the Chapter 11 Case asserted or authorized to be asserted, on or prior to the Administrative Expense Claim Bar Date, in accordance with sections 503(b) and 507(a)(2) of the Bankruptcy Code arising during the period up to and including the Effective Date, including, without limitation, (i) any actual and necessary cost and expense of preserving the estate of the Debtor, (ii) any actual and necessary cost and expense of operating the business of the Debtor in Possession, (iii) any cost and expense of the Debtor in Possession for (a) the management, maintenance, preservation, sale, or other disposition of any assets, (b) the administration and implementation of the Plan, and (c) the administration, prosecution, or defense of Claims by or against the Debtor and for distributions under the Plan, (d) any guarantee or indemnification obligation extended by the Debtor in Possession, and (iv) any Claim for compensation and reimbursement of expenses arising during the period from and after the Petition Date and prior to the Effective Date and awarded by the Bankruptcy Court in accordance with sections 328, 330, 331, or 503(b) of the Bankruptcy Code or otherwise in accordance with the provisions of the Plan, whether fixed before or after the Effective Date.

The Plan provides that each Holder of an Allowed Administrative Expense Claim will receive either (i) payment in full in Cash for the unpaid portion of such Allowed Administrative Expense Claim or (ii) such other less favorable treatment as agreed to in writing by the Reorganized Debtor and such Holder. Administrative Expense Claims incurred by the Debtor in the ordinary course of business may be paid in the ordinary course of business in the discretion of the Reorganized Debtor without further notice to or order of the Bankruptcy Court. However, if any such ordinary course expense is not billed, or a request for payment is not made, within thirty (30) days after the Effective Date, such ordinary course expense shall be barred and shall not be entitled to a distribution under the Plan.

William T. Ratliff, III has agreed, in connection with confirmation of the Plan, to waive outstanding administrative expense claims that he would assert against the Debtor for unpaid fees for which he is due payment as a director of the Debtor. The value of the administrative expense claims that Mr. Ratliff is waiving in connection with confirmation of this Plan is approximately $391,000.

This treatment satisfies the requirements of Section 1129(a)(9)(A) of the Bankruptcy Code.

3. Administrative Expense Claims Bar Date

Requests for the payment of Administrative Expense Claims other than Professional Claims must be filed and served on the Reorganized Debtor pursuant to the procedures specified in the Confirmation Order no later than thirty (30) days after the Effective Date (the "Administrative Expense Claims Bar Date"). Holders of Administrative Expense Claims that are required to, but do not, file and serve a request for payment of such claims by such date shall be forever barred, estopped, and enjoined from asserting such Claims against the Debtor, the Reorganized Debtor, or their assets or properties and such Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed and served on the Reorganized Debtor and the requesting party no later than ninety (90) days after the Administrative Expense Claims Bar Date.

Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim previously Allowed by Final Order. In addition, no request for payment of an Administrative Expense Claim needs to be filed with respect to any claim by TGIC or TGAC arising under to the Stipulation. Any amounts owed under the Stipulation shall constitute Allowed Administrative Expense Claims, without the need for any filing by TGIC or TGAC or any further Order of the Bankruptcy Court. The Debtor and/or the Reorganized Debtor shall pay to TGIC and/or TGAC any amounts owed, and shall perform any obligations owed, under the Stipulation without further Order of the Bankruptcy Court.

4. Deadline for Professional Claims

Except as set forth herein, Professionals asserting a Professional Claim for services rendered before the Effective Date shall (i) File and serve on the Reorganized Debtor and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, the Interim Compensation Order, or other order of the Bankruptcy Court a final application for the allowance of such Professional Claim no later than thirty (30) days after the Effective Date and; (ii) if granted such an award by the Bankruptcy Court, be paid in full in Cash in such amounts as are Allowed by the Bankruptcy Court within ten (10) days after the entry of a Final Order with respect to a Professional's final fee application. Except as otherwise agreed to in writing by the Debtor and such Professional, or as expressly set forth in the Plan (including in (i)-(iv) below), Holders of Professional Claims that do not File and serve such application by the required deadline

shall be forever barred, estopped, and enjoined from asserting such Claims against the Debtor, the Reorganized Debtor, or their assets or properties, and such Claims shall be deemed discharged as of the Effective Date. Objections to Professional Claims shall be Filed no later than thirty (30) days after such Professional Claims are Filed.

Certain Professionals have agreed to settle their Professional Claims in connection with a confirmed Plan, as follows:

(i) Womble Carlyle Sandridge & Rice, LLP ("WCSR"), former counsel to the Debtor, asserts that it holds a Professional Claim in the amount of approximately $2,000,000. WSCR has agreed to the complete satisfaction of its Professional Claim by accepting as consideration (a) all amounts already paid to WCSR during the Case, which are $496,082.80 in fees and $70,720.32 in expenses; (b) the balance of its retainer from the Debtor, in the amount of $21,429.50; and (c) $50,000 in Cash, without the need for further application to the Court, and has waived any other claim against the Debtor on account of any Professional Claim it may hold or assert.. The total allowed Professional Claim for WCSR, therefore, is $638,232.62. WCSR is not required to File any further or final application for allowance of its Professional Claim.

(ii) Morrison & Foerster LLP ("M&F"), former counsel to the Debtor, may hold a Professional Claim in excess of $2,000,000. M&F has agreed to the complete satisfaction of its Professional Claim by accepting as consideration all amounts already paid to Morrison & Foerster during the Case, which are $121,389.80 in fees and $3,939.15 in expenses, without the need for further application to the Court, and has waived any other claim against the Debtor on account of any Professional Claim it may hold or assert. The total allowed Professional Claim for M&F, therefore, is $125,328.95. M&F is not required to File any further or final application for allowance of its Professional Claim.

(iii) KPMG LLP asserts that it holds a Professional Claim in the amount of no less than approximately $45,770. KPMG has agreed to the complete satisfaction of its Professional Claim by accepting as consideration $5,000 in Cash without the need for further application to the Court, and has waived any other claim against the Debtor on account of any Professional Claim it may hold or assert. The total allowed Professional Claim for KPMG, therefore, is $5,000. KPMG is not required to File any further or final application for allowance of its Professional Claim.

(iv) Ernst & Young LLP ("E&Y") asserts that it holds a Professional Claim in the amount of no less than approximately $140,348.57. E&Y has agreed to the complete satisfaction of its Professional

Claim by accepting as consideration $55,000 in Cash without the need for further application to the Court, and has waived any other claim against the Debtor on account of any Professional Claim it may hold or assert. The total allowed Professional Claim for E&Y, therefore, is $55,000. E&Y is not required to File any further or final application for allowance of its Professional Claim.

The settlements with WCSR, M&F, KPMG, and E&Y are contingent upon confirmation of the Plan. In the event that the Plan is not confirmed, these settlements are not binding.

5. Priority Tax Claims

The Plan defines Priority Tax Claim as a Claim of a governmental unit against the Debtor of the kind entitled to priority in payment pursuant to sections 502(i) and 507(a)(8) of the Bankruptcy Code.

Under the Plan, with respect to each Allowed Priority Tax Claim not paid prior to the Effective Date, the Disbursing Agent shall (i) pay such Claim in Cash as soon as reasonably practicable after the Effective Date, (ii) provide such other treatment agreed to by the Holder of such Allowed Priority Tax Claim and the Debtor (if before the Effective Date) or the Reorganized Debtor (on and after the Effective Date), as applicable, in writing, provided such treatment is no less favorable to the Debtor or the Reorganized Debtor than the treatment set forth in clause (i) of this sentence, or (iii) at the Disbursing Agent's sole discretion, pay regular installment payments in Cash having a total value, as of the Effective Date (reflecting an interest rate determined as of the Effective Date under section 511 (a) of the Bankruptcy Code), equal to such Allowed Priority Tax Claim, over a period not later than five (5) years after the Petition Date.

This treatment satisfies the requirements of section 1129(a)(9)(C) of the Bankruptcy Code.

6. U.S. Trustee Fees

The Plan provides that on the Effective Date or as soon as practicable thereafter, the Disbursing Agent shall pay all U.S. Trustee Fees that are due and owing on the Effective Date. For the avoidance of doubt, nothing in the Plan shall release the Reorganized Debtor from its obligation to pay all U.S. Trustee Fees due and owing after the Effective Date before an order or final decree is entered by the Bankruptcy Court concluding or closing the Chapter 11 Case.

D. Means for Implementation of Plan

1. Continued Corporate Existence

In accordance with the laws of the State of Delaware and the Amended Organizational Documents, after the Effective Date, the Reorganized Debtor shall continue to exist as a separate corporate entity.

2. Sources of Consideration for Monetary Plan Distributions

All consideration necessary to make all monetary payments in accordance with the Plan shall be obtained from the Cash and cash equivalents of the Debtor or the Reorganized Debtor, as applicable, and the DIP Financing Loan.

The DIP Financing Loan is a loan from Triad DIP Investors LLC in the amount of no less than $400,000 that was authorized and approved by the Bankruptcy Court, as described above.

3. Vesting of Assets in the Reorganized Debtor

Except as otherwise provided in the Plan, on the Effective Date, all property of the Estate, but excluding Creditor Cash and the New Common Stock, shall vest in the Reorganized Debtor, free and clear of all Claims, Liens, charges, other encumbrances and interests; provided, however, that nothing herein shall affect any interest of TGIC and TGAC in any NOLs or similar Tax Attributes as they existed as of the Petition Date.

On and after the Effective Date, except as otherwise provided in the Plan, the Reorganized Debtor may operate its business and use, acquire, or dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

4. Authorization and Issuance of New Common Stock

In consideration for Manderson acting as managing member of Wolfgang, a Proponent, on the date of filing of the Plan, the Debtor issued 900,000 shares of New Common Stock of the Debtor, to be granted as Restricted Stock to Manderson or his designee, vesting pursuant to the conditions of the grant agreed to between the Debtor and Manderson. Vesting conditions include: (i) the Confirmation of the Plan; (ii) Manderson and the Reorganized Debtor entering into a mutually acceptable employment agreement, and (iii) Manderson's continuous service as a director or executive officer of the Reorganized Debtor during a 3-year vesting period.

On the Effective Date, the Reorganized Debtor shall perform the following:

(a) All of the shares of the New Common Stock issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable.

(b) In addition, the New Common Stock will be subject to transfer restrictions summarized below (the "NOL Protective Provision") to prevent an "ownership change" within the meaning of IRC Section 382 from occurring until certain conditions summarized below are satisfied.

Prohibited Transfers. The transfer restrictions generally will restrict any direct or indirect transfer (such as transfers of New Common Stock of the Reorganized

Debtor that result from the transfer of interests in other entities that own New Common Stock of the Reorganized Debtor) if the effect would be to:

- increase the direct or indirect ownership of the Reorganized Debtor's New Common Stock by any person (or public group) from less than 5% to 5% or more of the Reorganized Debtor's New Common Stock;
- increase the percentage of the Reorganized Debtor's New Common Stock owned directly or indirectly by a person (or public group) owning or deemed to own 5% or more of the Reorganized Debtor's New Common Stock; or
- create a new public group (as defined in IRC Section 1.382-2T(f)(13)).

Transfers prohibited by the restrictions include sales to persons (or public groups) whose resulting percentage ownership (direct or indirect) of New Common Stock would exceed the 5 percent thresholds discussed above, or to persons whose direct or indirect ownership of New Common Stock would by attribution cause another person (or public group) to exceed such threshold. Complicated rules of constructive ownership, aggregation, segregation, combination and other ownership rules prescribed by the IRC (and related regulations) will apply in determining whether a person or group of persons constitute a 5-percent shareholder under IRC Section 382 and whether less than 5-percent shareholders will be treated as one or more "public groups," each of which is a 5-percent shareholder under Section 382. A transfer from one member of the public group to another member of the public group does not increase the percentage of the Reorganized Debtor's New Common Stock owned directly or indirectly by the public group and, therefore, such transfers are not restricted. For purposes of determining whether a person (or public group) is a 5-percent shareholder, any options (as defined in the regulations promulgated under the IRC) treated as owned by such person will be deemed to be exercised if the result is to cause such person to be treated as a 5-percent shareholder. For purposes of determining the existence and identity of, and the amount of New Common Stock owned by, any shareholder, the Reorganized Debtor will be entitled to rely on the existence or absence of filings with the Securities and Exchange Commission ("SEC") of Schedules 13D and 13G (or any similar filings), to the extent applicable, as of any date, subject to the Reorganized Debtor's actual knowledge of the ownership of the Reorganized Debtor's New Common Stock. The transfer restrictions will include the right to require a proposed transferee, as a condition to registration of a transfer of New Common Stock, to provide all information reasonably requested regarding such person's direct and indirect ownership of the New Common Stock. The transfer restrictions may result in the delay or refusal of certain requested transfers of the New Common Stock. As a result of these rules, the transfer restrictions could result in prohibiting ownership (thus requiring dispositions) of the New Common Stock as a result of a change in the relationship between two or more persons or entities, or of a transfer of an interest in an entity other than the Reorganized Debtor, such as an interest in an entity that, directly or indirectly, owns the New Common Stock. The transfer restrictions will also apply to proscribe the creation or transfer of certain "options" (which are broadly defined by IRC Section 382) in respect of the New Common Stock to the extent that, in certain

circumstances, creation, transfer or exercise of the option would result in a proscribed level of ownership.

Consequences of Prohibited Transfers. Upon the effectiveness of the New Certificate of Incorporation on the Effective Date, any direct or indirect transfer attempted in violation of the restrictions would be void as of the date of the purported transfer as to the purported transferee (or, in the case of an indirect transfer, the ownership of the direct owner of New Common Stock would terminate simultaneously with the transfer), and the purported transferee (or in the case of any indirect transfer, the direct owner) would not be recognized as the owner of the shares owned in violation of the restrictions for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of such New Common Stock, or in the case of options, receiving New Common Stock in respect of their exercise. In this Disclosure Statement, New Common Stock purportedly acquired in violation of the transfer restrictions is referred to as "Excess Stock."

In addition to the purported transfer being void as of the date of the purported transfer, upon demand by the Reorganized Debtor sent within thirty (30) days of the date on which the New Board determines that such transfer would result in Excess Stock, the purported transferee must transfer the Excess Stock to the Reorganized Debtor's agent along with any dividends or other distributions paid with respect to such Excess Stock within thirty (30) days of such demand. The Reorganized Debtor's agent is required to sell such Excess Stock in an arms' length transaction (or series of transactions) that would not constitute a violation under the transfer restrictions. The net proceeds of the sale, together with any other distributions with respect to such Excess Stock received by the Reorganized Debtor's agent, after deduction of all costs incurred by the agent, will be distributed first to the purported transferee in an amount, if any, up to the cost (or in the case of gift, inheritance or similar transfer, the fair market value of the Excess Stock on the date of the violative transfer) incurred by the purported transferee to acquire such Excess Stock, and the balance of the proceeds, if any, will be distributed to one or more charitable beneficiaries selected by the New Board. If the Excess Stock is sold by the purported transferee, such person will be treated as having sold the Excess Stock on behalf of the agent, and will be required to remit all proceeds to the Reorganized Debtor's agent (except to the extent the Reorganized Debtor grants written permission to the purported transferee to retain an amount not to exceed the amount such person otherwise would have been entitled to retain had the Reorganized Debtor's agent sold such shares).

To the extent permitted by law, any shareholder who knowingly violates the transfer restrictions will be liable for any and all damages suffered by the Reorganized Debtor and the Consolidated Tax Group and its members as a result of such violation, including damages resulting from a reduction in or elimination of the ability to utilize the NOLs and any professional fees incurred in connection with addressing such violation. With respect to any transfer of New Common Stock which does not involve a transfer of "securities" of the Reorganized Debtor within the meaning of the General Corporation Law of the State of Delaware (the "DGCL") but which would cause any 5-percent shareholder to violate the transfer restrictions, the following procedure will apply

in lieu of those described above. In such case, no such 5-percent shareholder shall be required to dispose of any interest that is not a security of the Reorganized Debtor, but such 5-percent shareholder and/or any person whose ownership of securities of the Reorganized Debtor is attributed to such 5-percent shareholder shall be deemed to have disposed of (and shall be required to dispose of) sufficient securities, simultaneously with the transfer, to cause such 5-percent shareholder not to be in violation of the transfer restrictions, and such securities shall be treated as Excess Stock to be disposed of through the agent under the provisions summarized above, with the maximum amount payable to such 5-percent shareholder or such other person that was the direct holder of such Excess Stock from the proceeds of sale by the agent being the fair market value of such Excess Stock at the time of the prohibited transfer.

Modification and Waiver of Transfer Restrictions. The New Board will have the discretion to approve a transfer of New Common Stock that would otherwise violate the transfer restrictions. If the New Board decides to grant a waiver, it may impose conditions on the acquirer or selling party.

In addition, in the event of a change in law, the New Board will be authorized to modify the applicable allowable percentage ownership interest (currently less than 5 percent) or modify any of the definitions, terms and conditions of the transfer restrictions or to eliminate the transfer restrictions, provided that the New Board determines that such action is reasonably necessary or advisable to preserve the NOLs or that the continuation of the transfer restrictions is no longer reasonably necessary for such purpose, as applicable. Shareholders of the Reorganized Debtor will be notified of any such determination through such method of notice as the Reorganized Debtor's Secretary shall deem appropriate.

The New Board may establish, modify, amend or rescind bylaws, regulations and procedures of the Reorganized Debtor for purposes of determining whether any transfer of New Common Stock would jeopardize the Reorganized Debtor's ability to preserve and use the NOLs.

Implementation and Expiration of the NOL Protective Provision. Upon the effectiveness of the New Certificate of Incorporation on the Effective Date, the Reorganized Debtor will be able to enforce the transfer restrictions to preserve future use of the NOLs. The NOL Protective Provision would expire on the earlier of (i) the later of (x) the termination of the Tax Sharing Agreement or (y) January 1, 2032, (ii) the New Board's determination that the NOL Protective Provision is no longer necessary for the preservation of the NOLs because of the repeal of Section 382 or any successor statute or (iii) the beginning of a taxable year of the Reorganized Debtor to which the New Board determines that no NOLs may be carried forward. The New Board will also be permitted to accelerate or extend the expiration date of the transfer restrictions in the event of a change in the law if it determines in writing that such action is reasonably necessary or advisable to preserve the tax benefits or that the continuation of the transfer restrictions is no longer reasonably necessary for the preservation of tax benefits, as applicable.

Effectiveness and Enforceability. Although the NOL Protective Provision is intended to reduce the likelihood of an "ownership change," the Reorganized Debtor cannot eliminate the possibility that an "ownership change" will occur after the filing of the New Certificate of Incorporation:

- The New Board can permit a transfer to an acquirer that results or contributes to an "ownership change."

- A court could find that part or all of the NOL Protective Provision is not enforceable, either in general or as to a particular fact situation. Under the DGCL, a corporation may provide in its certificate of incorporation for restrictions on the transfer of securities for the purpose of maintaining or preserving any Tax attribute (including net operating losses), and such restriction on transfer, if noted conspicuously on the certificates representing the securities so restricted, may be enforced against holders of the restricted securities or their successors or transferees. The Debtor expects that shares of New Common Stock issued after the effectiveness of the NOL Protective Provision will be issued with the transfer restriction conspicuously noted on the certificate(s) representing such shares and, therefore, under the DGCL such newly-issued shares will be subject to the transfer restriction. In addition, the Debtor intends to seek provisions in the Confirmation Order that will provide that holders of New Common Stock and their successors and transferees will be bound by the restrictions on transfer contained in the New Certification of Incorporation. Nevertheless, it is possible that a court could find that the provision is unenforceable, either in general or as applied to a particular shareholder or fact situation.

- Despite the effectiveness of the NOL Protective Provision, there would still remain a risk that certain changes in relationships among shareholders or other events would cause an "ownership change" of the Reorganized Debtor and the Reorganized Debtor's subsidiaries under Section 382. The Debtor cannot assure you that the NOL Protective Provision will be enforceable under all circumstances, particularly against shareholders who acquire shares represented by certificates that do not contain a conspicuous notation of the NOL Protective Provision. Accordingly, the Debtor cannot assure you that an "ownership change" will not occur.

As a result of these and other factors, the NOL Protective Provision serves to reduce, but does not eliminate, the risk that the Reorganized Debtor will undergo an "ownership change." In addition, there can be no assurance that, upon audit, the IRS would agree that all of the NOLs are allowable.

5. Directors and Officers of the Reorganized Debtor

On the Effective Date, the term of the current members of the Debtor's board of directors shall expire and the New Board shall be appointed.

(a) The Reorganized Debtor's Board shall consist of three (3) members upon the Effective Date: (i) Manderson, (ii) William T. Ratliff, III (or other nominee of the Holders of the Previously Issued Common Stock), and (iii) one (1) nominee recommended by the Investors and agreed upon by the Plan Proponents.

(b) The identity of the members of the New Board and the nature and compensation of each of its members who is an "insider" under Bankruptcy Code Section 101(31) shall be disclosed at or prior to the Confirmation Hearing. On the Effective Date, the New Board shall remove and replace the existing officers of the Debtor unless otherwise agreed by the New Board and such officers.

(c) The New Board shall hire and retain management for the Reorganized Debtor to manage the Reorganized Debtor and execute its growth strategy. The identity of the proposed senior management of the Reorganized Debtor and the nature and compensation of each of such officers who is an "insider" under Bankruptcy Code section 101(31) shall be disclosed at or prior to the Confirmation Hearing. The New Board shall appoint other officers to customary roles from time to time.

(d) The Proponents, certain Holders of more than 5% of the Previously Issued Common Stock, and the Investors shall enter a Stockholders' Agreement containing customary terms and conditions, including, without limitation, provisions for the nomination of and voting for candidates for the New Board.

6. <u>Additional Consideration</u>

The plan provides that, from and following the Effective Date, Manderson or his designee shall be entitled to receive annual Cash bonus payments equal to 5% of the amount of the gross Tax Savings of the Reorganized Debtor (or its successor) attributable to the Reorganized Debtor's use, if any, of NOLs or similar Tax attributes following the Effective Date, including, without limitation, all NOLs or similar Tax attributes arising from future tax losses, for as long as Manderson remains a director or officer of the Reorganized Debtor or its successors; provided however, that the calculation of gross Tax Savings shall exclude any Tax Savings attributable to utilization of the NOLs or similar tax attributes in connection with taxable income or discharge of indebtedness of TGIC or TGAC. For the avoidance of doubt, Tax Savings shall be calculated based upon the utilization of the NOLs and similar Tax attributes by the Reorganized Debtor (or its successor) in any given year, excluding any utilization of the NOLs or similar Tax attributes attributable to the taxable income or discharge of indebtedness of TGIC and TGAC.

7. <u>Equity Interests</u>

All issued and outstanding Equity Interests (including the Previously Issued Common Stock) shall be preserved and remain issued and outstanding after the Effective Date, subject to dilution from the issuance of the New Common Stock, including the issuance of the New Common Stock under this Plan to Wolfgang, Manderson, and the Investors, any exit equity investment and the MIRP; provided,

however, any derivative Equity Interests granted or issued prior to the Effective Date of this Plan, including without limitation any options, warrants, unvested restricted stock, or other rights to acquire any Equity Interests, whether vested or unvested, shall be cancelled as of the Effective Date.

8. Restrictions Waived

All restrictions on acquisition and ownership of the Debtor's stock shall be waived for the Proponents and the Investors with respect to their stock ownership and acquisition as of the Effective Date. Any acquisitions of the Debtor's stock by any of the Proponents or the Investors after August 1, 2015 shall be ratified and validated as of the Effective Date. All accumulations of the Debtor's common stock over 5% by other persons not previously approved shall be invalidated in accordance with the Debtor's bylaws.

9. Section 1145 Exemption

Unless required by provision of applicable law, regulation, order, or rule, as of the Effective Date, the issuance of the New Common Stock in accordance with the Plan shall be authorized under Bankruptcy Code section 1145 without further act or action by any Entity.

10. Exemption from Certain Taxes and Fees

Pursuant to Sections 106, 1141 and 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under or in connection with the Plan, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, and any merger agreements or agreements of consolidation, deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated under the Plan, shall not be subject to any stamp or similar Tax. The Confirmation Order shall direct all state and local government officials and agents to forego the collection of any such Tax or governmental assessment and to accept for filing and recordation any instrument or other document issued or transferred pursuant to the Plan, without the payment of any such Tax or government assessment.

11. Corporate Action

Except as otherwise provided in the Plan, each of the matters provided for by the Plan involving corporate or related actions to be taken by or required of the Reorganized Debtor shall, as of the Effective Date, be deemed to have occurred and be effective as provided in the Plan, and shall be authorized, approved, and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by Holders of Claims or Equity Interests, directors of the Debtor, or any other Entity. On or prior to the Effective Date, the appropriate officers of the Debtor or

the Reorganized Debtor, as applicable, shall be authorized and directed to issue, execute, and deliver the agreements, securities, instruments, or other documents contemplated by the Plan, or necessary or desirable to effect the transactions contemplated by the Plan, in the name of and on behalf of the Reorganized Debtor, including New Organizational Documents and any and all other agreements, securities, instruments, or other documents relating to such documents. Notwithstanding any requirements under nonbankruptcy law, the authorizations and approvals contemplated by this provision shall be effective.

12. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtor and its officers and members of the New Board are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the New Common Stock in the name of and on behalf of the Reorganized Debtor, without the need for any approvals, authorization, or consents, except for those expressly required by the Plan.

E. Treatment of Unexpired Leases and Executory Contracts

Article VI of the Plan sets forth the treatment of executory contracts and unexpired leases of the Debtor.

1. Rejection or Assumption of Remaining Executory Contracts and Unexpired Leases

Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtor and any Entity, including, for the avoidance of doubt, the Tax Allocation Agreement, and which have not expired by their own terms on or prior to the Confirmation Date, shall be deemed assumed by the Debtor as of the Effective Date, except for any executory contract or unexpired lease that (i) has been assumed and assigned or rejected pursuant to an Order of the Bankruptcy Court entered prior to the Effective Date or (ii) that is specifically designated as a contract or lease to be assumed or assumed and assigned on the schedules to the Plan Supplement; provided, however, that the Debtor reserves the right, on or prior to the Confirmation Date, to amend such schedules to delete any executory contract or unexpired lease therefrom or add any executory contract or unexpired lease thereto, in which event such executory contract(s) or unexpired lease(s) shall be deemed to be, as the case may be, either rejected, assumed, or assumed and assigned as of the Effective Date. The Debtor shall serve notice of any executory contract and unexpired lease to be rejected or assumed or assumed and assigned by including schedules of such contracts and leases in the Plan Supplement. To the extent there are any amendments to such schedules, the Debtor shall provide notice of any such amendments to the parties to the executory contracts and unexpired leases affected thereby. The listing of a document on the schedules to the Plan Supplement shall not constitute an admission by the Debtor that

such document is an executory contract or an unexpired lease or that the Debtor has any liability thereunder.

2. Approval of Rejection or Assumption of Executory Contracts and Unexpired Leases

Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection, assumption, or assumption and assignment, as the case may be, of executory contracts and unexpired leases pursuant to Section 6.1 of this Plan.

3. Inclusiveness

Unless otherwise specified on the schedules to the Plan Supplement, each executory contract and unexpired lease listed or to be listed therein shall include any and all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument, or other document is listed on such schedule.

4. Cure of Defaults

Except to the extent that different treatment has been agreed to by the parties to any executory contract or unexpired lease to be assumed or assumed and assigned pursuant to Section 6.1 of the Plan, the Debtor shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, at least twenty-one (21) days prior to the Confirmation Hearing, file with the Bankruptcy Court and serve by first-class mail on each non-Debtor party to such executory contracts or unexpired leases to be assumed pursuant to Section 6 of the Plan, a notice, which shall list the cure amount as to each executory contract or unexpired lease to be assumed or assumed and assigned. Any objection by a counterparty to an executory contract or unexpired lease to a proposed assumption or related cure amount must be Filed, served, and actually received by counsel to the Debtor at least seven (7) days before the Confirmation Hearing. Any counterparty to an executory contract or unexpired lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption and cure amount. In the event of a dispute regarding (i) the amount of any payments to cure such a default, (ii) the ability of the Reorganized Debtor or any assignee to provide "adequate assurance of future performance," within the meaning of Bankruptcy Code section 365, under the executory contract or unexpired lease to be assumed, or (iii) any other matter pertaining to assumption, the cure payments required by Bankruptcy Code section 365(b)(I) shall be made following the entry of a Final Order or Orders resolving the dispute and approving the assumption. Assumption of any executory contract or unexpired lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, arising under any assumed executory contract or unexpired lease at any time before the effective date of the assumption.

The Debtor anticipates *de minimis* costs related to assumption of the Debtor's executory contracts or unexpired leases.

5. Rejection Damage Claims

If the rejection of an executory contract or unexpired lease by the Debtor hereunder results in damages to the other party or parties to such contract or lease, any claim for such damages, if not heretofore evidenced by a filed Proof of Claim, shall be forever barred and shall not be enforceable against the Debtor, the Reorganized Debtor, or their respective properties or agents, successors, or assigns, unless a Proof of Claim is filed with the Bankruptcy Court and served upon attorneys for the Debtor or the Reorganized Debtor, as the case may be, on or before thirty (30) days after the later to occur of (i) the Confirmation Date, and (ii) the date of entry of an Order by the Bankruptcy Court authorizing rejection of a particular executory contract or unexpired lease. All Allowed Claims arising from the rejection of the Debtor's executory contracts or unexpired leases shall be classified as General Unsecured Claims and shall be treated in accordance with Article III of the Plan.

The Debtor anticipates *de minimis* damages arising from rejection of the Debtor's executory contracts or unexpired leases.

6. Continuing Obligations

Continuing obligations of third parties to the Debtor under insurance policies, contracts, or leases that have otherwise ceased to be executory or have otherwise expired on or prior to the Effective Date, including, without limitation, continuing obligations to pay insured claims, to defend against and process claims, to refund premiums or overpayments, to provide indemnification, contribution or reimbursement, to grant rights of first refusal, to maintain confidentiality, or to honor releases, will continue and will be binding on such third parties notwithstanding any provision to the contrary in the Plan, unless otherwise specifically terminated by the Debtor or by order of Bankruptcy Court. The deemed rejection provided by the Plan will not apply to any such continuing obligations.

To the extent any insurance policy under which the insurer has a continuing obligation to pay the Debtor or a third party on behalf of the Debtor is held by the Bankruptcy Court to be an executory contract and is not otherwise assumed upon motion by a Final Order, such insurance policy will be treated as though it is an executory contract that is assumed pursuant to Section 365 of the Bankruptcy Code under the Plan. Any and all Claims (including cure amounts) arising under or related to any insurance policies or related insurance agreements that are assumed by the Debtor prior to or as of the Effective Date: (i) will not be discharged; (ii) will be Allowed Administrative Expense Claims; and (iii) will be paid in full in the ordinary course of business of the Reorganized Debtor as set forth in the Plan.

For the avoidance of doubt, (i) the obligations of the Debtor to indemnify and reimburse its current directors or officers who were directors or officers, respectively,

on or prior to the Petition Date or any former officer whose employment contract was assumed by the Debtor following the Petition Date, and (ii) indemnification and reimbursement obligations of the Debtor arising from services of its officers and directors during the period from and after the Petition Date, shall be Administrative Expense Claims, provided, however, that if and to the extent any person described in the foregoing (i) and (ii) has previously filed a Proof of Claim asserting entitlement to administrative priority for such Claims, such person shall not be required to additionally assert such Claim by the Administrative Expense Claims Bar Date set forth in Article II of the Plan.

7. Insurance Rights

Notwithstanding anything to the contrary in the Plan or the Plan Supplement, nothing in the Plan or the Plan Supplement (including any other provision that purports to be preemptory or supervening) will in any way operate to, or have the effect of, impairing the legal, equitable or contractual rights of the Debtor's insurers, if any, in any respect. The rights of the Debtor's insurers will be determined under their respective insurance policies and any related agreements with the Debtor, as applicable, subject, however, to the rights, if any, of the Debtor to assume or reject any such policy or agreement and the consequences of such assumption or rejection under Section 365 of the Bankruptcy Code.

8. Post-Petition Contracts and Leases

The Debtor shall not be required to assume or reject any contract or lease entered into by the Debtor after the Petition Date. Any such contract or lease, including, for the avoidance of doubt, the Tax Payment Agreement, shall continue in effect in accordance with its terms after the Effective Date, unless the Debtor has obtained a Final Order of the Bankruptcy Court approving rejection of such contract or lease.

F. Provisions Regarding Distributions

1. Allowance Requirement

Only Holders of Allowed Claims are entitled to receive distributions under the Plan.

An Allowed Administrative Expense Claim is an Administrative Expense Claim that has been allowed, or adjudicated in favor of the Holder by estimation or liquidation, by a Final Order, that was incurred by the Debtor in the ordinary course of business during the Chapter 11 Case and as to which there is no dispute as to the Debtor's liability, or that has become allowed by failure to object pursuant to the Plan.

As to all other types of Claims, an Allowed Claim is (i) any Claim, proof of which has been timely Filed by the applicable Claims Bar Date; (ii) any Claim that is listed in the Schedules, as such Schedules may be amended by the Debtor from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary Proof of Claim has been timely Filed; (iii) any Claim Allowed pursuant to the Plan or a Final Order of the Bankruptcy

Court; provided, however, that with respect to any Claim described in clauses (i) and (ii) above, such Claim shall be considered Allowed only if and to the extent that no objection to the allowance thereof has been interposed within the applicable period fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or by a Final Order of the Bankruptcy Court.

2. Record Date

As of the Record Date, the transfer registers for each Class of Claims or Equity Interests, as maintained by the Debtor or its agents, shall be deemed closed and there shall be no further changes made to reflect any new record Holders of any Claims or Equity Interests. The Debtor shall have no obligation to recognize any transfer of Claims or Equity Interests occurring on or after the Record Date.

3. Timeliness of Payments

Except as otherwise provided in the Plan, on the Effective Date or as soon as practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim or as soon as practical thereafter), each Holder of an Allowed Claim against the Debtor shall receive the amount of the distributions that this Plan provides for Allowed Claims in the applicable Class. The Disbursing Agent may distribute additional Creditor Cash in accordance with this Plan at such subsequent date or dates as such Cash is available and the Disbursing Agent deems practical. In the event that any payment or act under this Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made in accordance with the provisions set forth in Article VII of the Plan. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for in this Plan, regardless of whether such distributions are delivered on or at any time after the Effective Date.

4. Disbursing Agent

On the Effective Date or as soon as practicable thereafter, all distributions under the Plan shall be made by the Reorganized Debtor as Disbursing Agent or such other Entity designated by the Reorganized Debtor as a Disbursing Agent. Except as otherwise ordered by the Bankruptcy Court, a Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties.

5. Rights and Powers of Disbursing Agent

(a) *Powers of the Disbursing Agent*

The Disbursing Agent shall be empowered to: (i) effect all actions and execute all agreements, securities, instruments, and other documents necessary to perform its duties under the Plan; (ii) make all distributions contemplated by the Plan;

(iii) employ professionals to represent it with respect to its responsibilities; and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of the Plan.

(b) *Expenses Incurred On or After the Effective Date*

Except as otherwise Ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including Taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtor.

6. Delivery of Distributions and Undeliverable or Unclaimed Distributions

(a) *Delivery of Distributions*

Subject to the provisions of Rule 9010 of the Bankruptcy Rules, and except as otherwise provided in the Plan, distributions and deliveries to Holders of Allowed Claims shall be made at the address of each such Holder as set forth on the Schedules filed with the Bankruptcy Court, unless superseded by the address set forth on Proofs of Claim filed by such Holders, or at the last known address of such Holder if no Proof of Claim is filed or if the Debtor has been notified in writing of a change of address. If a Holder holds more than one Claim in any one Class, all Claims of the Holder will be aggregated into one Claim and one distribution will be made with respect to the aggregated Claim.

(b) *Minimum; De Minimis Distributions*

The Disbursing Agent shall not be required to make partial distributions or payments and such fractions shall be deemed to be zero. No Cash payment of less than $50 shall be made to a Holder of an Allowed Claim on account of such Allowed Claim.

(c) *Failure to Claim Undeliverable Distributions*

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until such Holder provides its current address, at which time such distribution shall be made to such Holder without interest; provided, however, that such distributions shall be deemed unclaimed property under Bankruptcy Code section 347(b) at the expiration of six (6) months from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtor (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary), and the Claim of any Holder to such property or interest in property shall be released, settled, compromised, and forever barred. The Disbursing Agent shall have no obligation to investigate the current address of any Holder whose distribution is returned as undeliverable.

(d) *Failure to Present Checks*

Checks issued by the Disbursing Agent on account of Allowed Claims shall be null and void if not negotiated within ninety (90) days after the issuance of such check. Requests for reissuance of any check must be made directly to the Disbursing Agent by the Holder of the relevant Allowed Claim and may only be made within ninety (90) days after the issuance of such check. Any Holder of an Allowed Claim holding an un-negotiated check that does not request reissuance of such un-negotiated check within ninety (90) days after the issuance of such check shall have its Claim for such un-negotiated check discharged and be forever barred, estopped, and enjoined from asserting any such Claim against the Debtor, the Reorganized Debtor, or their assets and properties.

7. Withholding and Reporting Requirements

Any party issuing any instrument or making any distribution under the Plan shall comply with all applicable withholding and reporting requirements imposed by any United States federal, state or local Tax law or Tax Authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements. Notwithstanding the above, each Holder of an Allowed Claim that is to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any Taxes imposed on such Holder by any Governmental Unit, including income, withholding and other Tax obligations, on account of such distribution. Any party issuing any instrument or making any distribution under the Plan has the right, but not the obligation, to not make a distribution until such Holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such Tax obligations and, if any party issuing any instrument or making any distribution under this Plan fails to withhold with respect to any such Holder's distribution, and is later held liable for the amount of such withholding, the Holder shall reimburse such party. The Disbursing Agent may require, as a condition to the receipt of a distribution, that the Holder complete the appropriate IRS Form W-8 or IRS Form W-9, as applicable to each Holder. If the Holder fails to comply with such a request within one hundred eighty (180) days, such distribution shall be deemed an unclaimed property and shall be treated in accordance with Section 7.5(c) of the Plan.

8. Setoffs

The Disbursing Agent may, pursuant to applicable bankruptcy or non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account thereof (before any distribution is made on account of such Claim by the Disbursing Agent), the claims, rights, and causes of action of any nature that the Debtor or the Reorganized Debtor may hold against the Holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor or the Reorganized Debtor of any such claims, rights, and causes of action that the Debtor or Reorganized Debtor may possess against such Holder; and, provided, further, that nothing contained herein is intended to limit the ability of any Creditor to effectuate

rights of setoff or recoupment preserved or permitted by the provisions of Sections 553, 555, 559, or 560 of the Bankruptcy Code or pursuant to the common law right of recoupment.

9. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a distribution under the Plan consists of indebtedness and other amounts (such as accrued but unpaid interest thereon), such distribution shall be allocated first to the principal amount of the Claim (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claim, to such other amounts.

10. Claims Paid or Payable by Third Parties

(a) *Claims Paid by Third Parties*

The Debtor, on or prior to the Effective Date, or the Reorganized Debtor, after the Effective Date, reserves its right to seek reduction and/or disallowance of a Claim to the extent that the Holder of such Claim receives payment on account of such Claim from a party that is not the Debtor or the Reorganized Debtor. To the extent a Holder of an Allowed Claim receives a distribution on account of such Allowed Claim and receives payment from a party that is not the Debtor or the Reorganized Debtor on account of such Allowed Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the Reorganized Debtor, to the extent the Holder's total recovery on account of such Allowed Claim from the third party and under this Plan exceeds the amount of such Allowed Claim. No Entity making a distribution on account of such Allowed Claim shall be entitled to assert a Claim against the Debtor on account of such distribution, until such Claim has been paid in full.

(b) *Claims Payable by Third Parties*

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtor's insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtor's insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged without an objection to such Claim having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

G. Procedures for Claims Administration

Article VIII of the Plan sets forth procedures for resolving disputed, contingent, and unliquidated claims and making distributions with respect thereto.

1. Resolution of Disputed Claims

(a) *Allowance of Claims*

On or after the Effective Date, the Reorganized Debtor shall have and shall retain any and all rights and defenses that the Debtor had with respect to any Claim, except with respect to any Claim deemed Allowed as of the Effective Date. Except as otherwise provided in this Plan or in any Order entered in the Chapter 11 Case prior to the Effective Date, including, without limitation, the Confirmation Order, no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed (1) under this Plan or the Bankruptcy Code or (ii) by Final Order of the Bankruptcy Court, including, without limitation, the Confirmation Order.

(b) *No Distribution Pending Allowance*

Except as otherwise provided in this Plan, if any portion of a Claim is a Disputed Claim, no payment or distribution provided under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim. To the extent a Disputed Claim becomes an Allowed Claim, in accordance with the provisions of the Plan, distributions shall be made to the Holder of such Allowed Claim as set forth in Article III of the Plan.

(c) *Disputed Claims Reserve*

On the Effective Date or as soon as practicable thereafter and upon each distribution thereafter, the Debtor or the Reorganized Debtor, as applicable, shall deposit into the Disputed Claims Reserve the amount of Creditor Cash and New Common Stock that would have been distributed to Holders of all Disputed Claims as if such Disputed Claims had been Allowed on the Effective Date, with the amount of such Allowed Claims to be determined, solely for the purpose of establishing reserves and for maximum distribution purposes, to be the least of (i) the asserted amount of the Disputed Claim Filed with the Bankruptcy Court, or if no Proof of Claim was Filed, listed by the Debtor in the Schedules, (ii) the amount, if any, estimated by the Bankruptcy Court pursuant to Bankruptcy Code section 502(c), and (iii) the amount otherwise agreed to by the Debtor or the Reorganized Debtor, as applicable, and the Holder of such Disputed Claim for reserve purposes.

(d) *Distribution of Excess Amounts in the Disputed Claims Reserve*

When all Disputed Claims are resolved and either become Allowed or are disallowed by Final Order, to the extent Creditor Cash remains in the Disputed Claims Reserve after all Holders of Disputed Claims that have become Allowed have been paid the full amount they are entitled to pursuant to the treatment set forth for the appropriate Class under the Plan, then such remaining Creditor Cash shall revert to the Reorganized Debtor.

(e) *Prosecution of Objections to Claims*

The Debtor, prior to and on the Effective Date, or the Reorganized Debtor, after the Effective Date, shall have the exclusive authority to File objections to Claims or settle, compromise, withdraw or litigate to judgment objections to any and all Claims, regardless of whether such Claims are in a Class or otherwise. From and after the Effective Date, the Reorganized Debtor may settle or compromise any Disputed Claim without any further notice to or action, Order or approval of the Bankruptcy Court. From and after the Effective Date, the Reorganized Debtor shall have the sole authority to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice, action, Order, or approval of the Bankruptcy Court.

(f) *Claims Estimation*

Unless otherwise limited by an Order of the Bankruptcy Court, the Debtor, prior to and on the Effective Date, or the Reorganized Debtor, after the Effective Date, may at any time request the Bankruptcy Court to estimate for final distribution purposes any contingent, unliquidated or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtor or the Reorganized Debtor previously objected to or sought to estimate such Claim, and the Bankruptcy Court will retain jurisdiction to consider any request to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of an appeal relating to any such objection. Unless otherwise provided by an Order of the Bankruptcy Court, in the event that the Bankruptcy Court estimates any contingent, unliquidated or Disputed Claim, the estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court; provided, however, that, if the estimate constitutes the maximum limitation on such Claim, the Debtor or the Reorganized Debtor may elect to pursue supplemental proceedings to object to any ultimate allowance of such Claim; and provided, further, that the foregoing is not intended to limit the rights granted by section 502(j) of the Bankruptcy Code. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

(g) *Expungement or Adjustment of Claims Without Objection*

Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims Register by the Debtor or the Reorganized Debtor, as applicable, and any Claim that has been amended may be adjusted thereon by the Debtor or the Reorganized Debtor, in both cases without a Claims objection having to be Filed and without any further notice to or action, Order or approval of the Bankruptcy Court.

(h) *Deadline to File Claims Objections*

Any objections to Claims shall be Filed by no later than the Claims Objection Bar Date.

(i) *Determination of Taxes*

In addition to any other available remedies or procedures with respect to Tax issues or liabilities or rights to Tax Refunds, the Reorganized Debtor, at any time, may utilize (and receive the benefits of) section 505 of the Bankruptcy Code with respect to: (1) any Tax issue or liability or right to a Tax Refund relating to an act or event occurring prior to the Effective Date; or (2) any Tax liability or right to a Tax Refund arising prior to the Effective Date. If the Reorganized Debtor utilizes section 505(b) of the Bankruptcy Code: (1) the Bankruptcy Court shall determine the amount of the subject Tax liability or right to a Tax Refund in the event that the appropriate governmental entity timely determines a Tax to be due in excess of the amount indicated on the subject return; and (2) if the prerequisites are met for obtaining a discharge of Tax liability in accordance with section 505(b) of the Bankruptcy Code, the Reorganized Debtor shall be entitled to such discharge which shall apply to any and all Taxes relating to the period covered by such return.

2. Preservation of Claims Related to the Stipulation

Nothing in the Disclosure Statement, Plan, Confirmation Order or any document related thereto shall alter, amend, modify, discharge, enjoin, impair or otherwise affect any claim or cause of action of the Debtor or the Reorganized Debtor arising under or related to the Stipulation, including, but not limited to, any claim or cause of action, if any, for breach or specific performance thereof. Nothing set forth in the Disclosure Statement, Plan or Confirmation Order shall impair the priority afforded to such claims under the Stipulation.

3. Late Claims

EXCEPT AS OTHERWISE AGREED BY THE DEBTOR OR THE REORGANIZED DEBTOR, AS APPLICABLE, ANY PERSON OR ENTITY THAT WAS REQUIRED TO FILE A TIMELY PROOF OF CLAIM AND FAILED TO DO SO ON OR BEFORE THE CLAIMS BAR DATE SHALL NOT, WITH RESPECT TO SUCH CLAIM, BE TREATED AS A CREDITOR OF THE DEBTOR FOR THE PURPOSE OF VOTING ON, OR RECEIVING DISTRIBUTIONS UNDER, THE PLAN.

4. Amendments to Claims

On or after the Effective Date, a Claim may not be Filed or amended without prior authorization of the Bankruptcy Court or the Reorganized Debtor, and any such new or amended Claim Filed without such prior authorization shall be deemed disallowed in full and expunged without any further action.

H. Conditions Precedent to Confirmation and Effectiveness of the Plan

1. Conditions Precedent to Confirmation of the Plan

It shall be a condition to Confirmation of the Plan that the following conditions shall have been satisfied or waived pursuant to Section 9.3 of the Plan:

(a) the Bankruptcy Court shall have approved the Disclosure Statement with respect to the Plan;

(b) the Bankruptcy Court shall have approved any Plan Supplement filed with respect to the Plan; and

(c) the proposed Confirmation Order shall be in form and substance reasonably satisfactory to the Debtor.

2. <u>Conditions Precedent to Effectiveness of the Plan</u>

It shall be a condition to the Plan becoming Effective that the following conditions shall have been satisfied or waived pursuant to Section 9.3 of the Plan:

(a) the Bankruptcy Court shall have entered the Confirmation Order and such Order shall be in full force and effect and shall have become a Final Order;

(b) the Debtor or the Reorganized Debtor, as applicable, shall have executed and delivered all documents necessary to effectuate the issuance of the New Common Stock;

(c) all authorizations, consents, and regulatory approvals required, if any, in connection with the consummation of this Plan have been obtained; and

(d) all material actions, documents, and agreements necessary to implement this Plan shall have been effected or executed.

3. <u>Waiver of Conditions</u>

To the extent practicable and legally permissible, each of the conditions precedent in Sections 9.1 and 9.2 of the Plan may be waived, in whole or in part, by the Debtor. Any such waiver of a condition precedent may be effected at any time by filing a notice thereof with the Bankruptcy Court executed by the Debtor.

I. <u>Modification, Revocation, or Withdrawal of Plan</u>

1. <u>Modification and Amendments</u>

The Debtor may amend, modify, or supplement the Plan pursuant to Bankruptcy Code section 1127(a) at any time prior to the Confirmation Date. After the Confirmation Date, but prior to Consummation of this Plan, the Debtor may amend, modify, or supplement the Plan without further Order of the Bankruptcy Court to remedy any non-material defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order.

2. Effect of Confirmation on Modifications

Pursuant to Bankruptcy Code section 1127(a), entry of a Confirmation Order shall mean that all modifications or amendments to this Plan since the solicitation thereof are approved and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

3. Revocation or Withdrawal of Plan

The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date and to File subsequent chapter 11 plans. If the Debtor revokes or withdraws the Plan, or if Confirmation or consummation does not occur, then: (i) the Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or unexpired leases effected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void except as may be set forth in a separate order entered by the Bankruptcy Court; and (iii) nothing contained in the Plan shall constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtor or any other Entity, prejudice in any manner the rights of the Debtor or any other Entity, or constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtor or any other Entity.

4. No Admission of Liability

(a) The submission of the Plan is not intended to be, nor shall it be construed as, an admission or evidence in any pending or subsequent suit, action, proceeding or dispute of any liability, wrongdoing, or obligation whatsoever (including as to the merits of any claim or defense) by any Entity with respect to any of the matters addressed in the Plan.

(b) None of the Plan (including, without limitation, the Exhibits hereto), or any settlement entered, act performed or document executed in connection with the Plan: (i) is or may be deemed to be or may be used as an admission or evidence of the validity of any claim, or of any wrongdoing or liability of any Entity; (ii) is or may be deemed to be or may be used as an admission or evidence of any liability, fault or omission of any Entity in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal; or (iii) is or may be deemed to be or used as an admission or evidence against the Debtor or any other Person or Entity with respect to the validity of any Claim. None of the Plan or any settlement entered, act performed or document executed in connection with the Plan shall be admissible in any proceeding for any purposes, except to out the terms of the Plan, and except that, once confirmed, any Entity may file the Plan in any action for any purpose, including, but not limited to, in order to support a defense or counterclaim based on the principles of res judicata, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense of counterclaim.

J. Retention of Jurisdiction

1. Retention of Jurisdiction by the Court

Pursuant to sections 105, 1123(a)(5), and 1142(b) of the Bankruptcy Code, on and after the Confirmation Date, the Bankruptcy Court shall retain jurisdiction to the fullest extent permitted by 28 U.S.C. §§ 1334 and 157 (i) to hear and determine the Chapter 11 Case and all core proceedings arising under the Bankruptcy Code or arising in the Chapter 11 Case, and (ii) to hear and make proposed findings of fact and conclusions of law in any non-core proceedings related to the Chapter 11 Case. Without limiting the generality of the foregoing, the Bankruptcy Court's post-Confirmation Date jurisdiction shall, to the fullest extent permitted by 28 U.S.C. §§ 1334 and 157, include jurisdiction:

(a) over any pending adversary proceedings or contested matters in the Chapter 11 Case;

(b) to hear and determine (or make proposed findings of fact, as applicable) any Causes of Action;

(c) to resolve any matter related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Debtor may be liable and to hear, determine, and, if necessary, liquidate, any Claim arising therefrom, including those matters related to the amendment after the Effective Date of the Plan to add any executory contract or unexpired lease to the list of executory contracts and unexpired leases to be rejected;

(d) to enter such Orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, unless any such agreements or documents contain express enforcement and dispute resolution provisions to the contrary, in which case, such provisions shall govern;

(e) to determine any and all motions, adversary proceedings, applications, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to this Plan, may be instituted by the Debtor or the Reorganized Debtor prior to or after the Effective Date;

(f) to ensure that distributions to Holders of Allowed Claims are accomplished as provided herein;

(g) to adjudicate any and all disputes arising from or relating to distributions under the Plan;

(h) to hear and determine any timely objection to any Claim or Equity Interest, whether such objection is filed before or after the Confirmation Date, including any objection to the classification of any Claim or Equity Interest, and to allow, disallow, determine, liquidate, classify, estimate, or establish the priority of or secured or unsecured status of any Claim or Equity Interest, in whole or in part;

(i) to enter and implement such Orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed, or vacated;

(j) to adjudicate, decide, or resolve any and all matters related to Bankruptcy Code sections 1141 and 1145;

(k) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(l) hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, or the Confirmation Order, including disputes arising under agreements, securities, instruments, or other documents executed or delivered in connection with the Plan;

(m) to enter and enforce any Order pursuant to Bankruptcy Code sections 363, 1123, or 1146(a) for the sale of property;

(n) to hear and determine all applications for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;

(o) to determine requests for the payment of Administrative Expense Claims or Claims entitled to priority pursuant to Bankruptcy Code section 507;

(p) to hear and determine disputes arising in connection with or relating to this Plan, or the interpretation, implementation, or enforcement of the Plan, or the extent of any Entity's obligations incurred in connection with or released under the Plan, unless such agreements or documents contain express enforcement or dispute resolution provisions to the contrary, in which case such provisions should govern;

(q) to issue injunctions, enter and implement other Orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation or enforcement of the Plan;

(r) to determine any other matter that may arise in connection with or that is related to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection therewith, unless such agreements or documents contain express enforcement or dispute resolution provisions, in which case, such provisions should govern;

(s) to hear and determine matters concerning state, local, and federal Taxes in accordance with Sections 346, 505, and 1146 of the Bankruptcy Code (including, without limitation, any matter relating to Tax Refunds, and any request by the Debtor or by the Reorganized Debtor, as applicable, for an expedited determination of Tax Refunds under Section 505(b) of the Bankruptcy Code;

(t) to hear any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code; and

(u) to enter an Order or final decree closing the Chapter 11 Case.

K. Discharge, Injunction, Releases and Related Provisions

1. Discharge of Claims

Except as otherwise provided in the Plan or in the Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims and Equity Interests of any nature whatsoever against the Debtor or any of its assets or properties and, regardless of whether any property will have been abandoned by Order of the Bankruptcy Court, retained, or distributed pursuant to this Plan on account of such Claims; and upon the Effective Date, except as otherwise provided in this Plan or in the Confirmation Order, the Debtor will be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in section 502 of the Bankruptcy Code, whether or not (A) a Proof of Claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code, (B) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code, or (C) the Holder of a Claim based upon such debt accepted this Plan.

As of the Effective Date, except as otherwise provided in the Plan or in the Confirmation Order, all Persons will be precluded from asserting against the Debtor or the Reorganized Debtor, any other or further Claims, debts, rights, Causes of Action, liabilities, or Equity Interests relating to the Debtor based upon any act, omission, transaction, or other activity of any nature that occurred prior to the Confirmation Date. In accordance with the foregoing, except as otherwise provided in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination of discharge of all such Claims and other debts and liabilities against the Debtor, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge will void any judgment obtained against the Debtor at any time, to the extent that such judgment relates to a discharged Claim.

2. Injunction

Except as otherwise expressly provided in this Plan or in the Confirmation Order, on and after the Effective Date, pursuant to section 1141(d) of the Bankruptcy Code, all Entities who have held, hold, or may hold Claims, rights, Causes of Action, liabilities, or any Equity Interests based upon any act or omission, transaction, or other activity of any kind or nature related to the Debtor or the Chapter 11 Case that occurred prior to the Effective Date, regardless of the filing, lack of filing, allowance or disallowance of such a Claim or Equity Interest, and any successors, assigns or representatives of such Entities, shall be precluded and permanently and completely enjoined on and after the Effective Date from (a) the enforcement, attachment, collection, or recovery by any manner of means of any judgment, award, decree, or Order with respect to any Claim, Equity Interest, or any other right or claim against the Debtor, the Reorganized Debtor, or any assets

or property of the Debtor or the Reorganized Debtor other than as expressly permitted under the Plan or the Confirmation Order, (b) the creation, perfection, or enforcement of any Lien or other encumbrance of any kind with respect to any Claim, Equity Interest, or any other right or claim against the Debtor, the Reorganized Debtor, or any assets or property of the Debtor or the Reorganized Debtor other than as expressly permitted under the Plan or the Confirmation Order, (c) asserting any right of setoff against any obligation due from the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Equity Interest, other than as expressly permitted under the Plan or the Confirmation Order, (d) asserting any Claims or Equity Interests that are released hereby, (e) acting or proceeding in any manner, in any place whatsoever, that does not comply with or is inconsistent with the provisions of the Plan, the Confirmation Order, or the discharge provisions of section 1141 of the Bankruptcy Code, and (f) taking any actions to interfere with the implementation or consummation of the Plan.

3. Releases by the Debtor

The Plan contains the following language regarding releases of claims by the Debtor and its Estate:

EXCEPT AS EXPRESSLY PROVIDED IN THIS PLAN, UPON THE EFFECTIVE DATE, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, THE DEBTOR RELEASEES ARE RELEASED BY THE DEBTOR, THE ESTATE, AND THE REORGANIZED DEBTOR FROM ANY AND ALL CLAIMS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS OR CAUSES OF ACTION THAT HAVE BEEN OR COULD HAVE BEEN ASSERTED ON BEHALF OF THE DEBTOR, THE ESTATE, OR THE REORGANIZED DEBTOR, WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, THAT THE DEBTOR OR THE ESTATE, OR ANY PERSON CLAIMING DERIVATIVELY THROUGH OR ON BEHALF OF THE DEBTOR OR THE ESTATE WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT IN THEIR OWN RIGHT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR EQUITY INTEREST OR OTHER PERSON, BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTOR, THE CHAPTER 11 CASE, THE ESTATE, THE CONDUCT OF THE DEBTOR'S BUSINESS, OR THIS PLAN (OTHER THAN THE RIGHTS OF THE DEBTOR AND THE REORGANIZED DEBTOR TO ENFORCE THIS PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES, INDENTURES, AND OTHER AGREEMENTS OR DOCUMENTS DELIVERED THEREUNDER),

EXCEPT FOR ACTS CONSTITUTING FRAUD, WILLFUL MISCONDUCT, OR GROSS NEGLIGENCE AS DETERMINED BY FINAL ORDER.

The Plan defines "Debtor Releasees" as the Debtor's current and former directors, officers, employees, advisors, attorneys, professionals, and agents (but solely in their respective capacities as such and provided that they acted or were employed in such capacity during the Chapter 11 Case).

4. Releases by Holders of Claims (Third Party Release)

The Plan contains the following language regarding releases of claims by holders of Claims:

AS OF THE EFFECTIVE DATE, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW, FOR GOOD AND VALUABLE CONSIDERATION, EACH HOLDER OF A CLAIM OR EQUITY INTEREST SHALL BE DEEMED TO RELEASE, AND FOREVER WAIVE AND DISCHARGE ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, AND LIABILITIES (OTHER THAN THE RIGHTS TO ENFORCE THE DEBTOR'S OR THE REORGANIZED DEBTOR'S OBLIGATIONS UNDER ANY ORDER OF THE BANKRUPTCY COURT, THIS PLAN AND THE SECURITIES, CONTRACTS, INSTRUMENTS, RELEASES, AND OTHER AGREEMENTS AND DOCUMENTS DELIVERED THEREUNDER), WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE THAT ARE BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTOR, THE CHAPTER 11 CASE, OR THIS PLAN AGAINST ANY CREDITOR AND DEBTOR RELEASEE, EXCEPT FOR ACTS CONSTITUTING FRAUD, WILLFUL MISCONDUCT, OR GROSS NEGLIGENCE AS DETERMINED BY A FINAL ORDER; PROVIDED, HOWEVER, AS TO THE CREDITOR RELEASEES, THIS RELEASE SHALL NOT BE BINDING ON ANY HOLDER OF AN EQUITY INTEREST WHO TIMELY SUBMITS A BALLOT TO VOTE AGAINST THE PLAN. FOR THE AVOIDANCE OF DOUBT, HOLDERS OF EQUITY INTERESTS WHO RECEIVE THE DISCLOSURE STATEMENT AND PLAN AND ELECT NOT TO TIMELY RETURN A BALLOT ARE DEEMED TO CONSENT TO THESE RELEASES.

The Plan defines "Creditor Releasee" as the Debtor and its current and former directors, officers, employees, advisors, attorneys, professionals, and agents (but solely in their respective capacities as such and provided that they acted or were employed in such capacity during the Chapter 11 Case).

5. Exculpation and Limitation of Liability

The Plan provides standard exculpations for key parties involved in the Debtor's restructuring efforts under Chapter 11:

Except as otherwise provided by this Plan or the Confirmation Order, on the Effective Date, the Debtor and each of its respective current or former members, directors, officers, employees, advisors, attorneys, professionals, agents, partners, or any of their successors and assigns who acted or were employed in such capacities during the Chapter 11 Case shall not have or incur and are hereby exculpated from any claims, obligations, rights, Causes of Action, and liabilities for any act or omission in connection with, or arising out of, the Chapter 11 Case, including, without limiting the generality of the foregoing, the formulation, preparation, dissemination, implementation, confirmation or approval of this Plan, or any compromises or settlements contained therein, the Disclosure Statement related thereto, or any contract, instrument, release, or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in this Plan, except for acts or omissions which constitute fraud, willful misconduct, or gross negligence as determined by Final Order, and all such Persons, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under this Plan and under the Bankruptcy Code.

6. Waiver Of Statutory Limitation On Releases

THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER DECISION TO RELEASE. THE RELEASING PARTIES IN EACH OF SECTIONS 12.3, 12.4 AND 12.5 OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

7. Deemed Consent

By submitting a Ballot in favor of the Plan, or by receiving a distribution under or any benefit pursuant to this Plan, or by Order of the Bankruptcy Court, each Holder of a Claim or Equity Interest shall be deemed, to the fullest extent permitted by applicable law, to have specifically consented to the releases set forth in Article XII of the Plan. For the avoidance of doubt, (i) holders of Equity Interests who receive the Disclosure Statement and Plan and elect not to timely return a ballot, and (ii) holders of Claims, are deemed to consent to the releases set forth in Article XII of the Plan.

8. **No Waiver**

Notwithstanding anything to the contrary contained in Article XII of the Plan, the releases and injunctions set forth herein shall not, and shall not be deemed to, limit, abridge or otherwise affect the rights of the Debtor and the Reorganized Debtor to enforce, sue on, settle or compromise the rights, claims and other matters expressly retained by either of them.

9. **Integral to Plan**

Each of the discharge, injunction and release provisions provided in Article XII of the Plan is an integral part of the Plan and is essential to its implementation. Each of the Creditor and Debtor Releasees shall have the right to independently seek the enforcement of the discharge, injunction and release provisions set forth in Article XII of the Plan.

L. **Miscellaneous Provisions**

Article XIII of the Plan sets forth miscellaneous provisions customary in chapter 11 plans in this district. Creditors are urged to review these provisions and, if necessary, obtain the advice of counsel.

1. **Immediate Binding Effect**

Subject to Section 9.2 of the Plan and notwithstanding Bankruptcy Rules 3020(e), 6004(g), 7062, or otherwise, upon the occurrence of the Effective Date, the terms of the Plan shall be immediately effective and enforceable and deemed binding upon the Debtor, the Reorganized Debtor, and any and all Holders of Claims or Equity Interests (irrespective of whether such Claims or Equity Interests are deemed to have accepted this Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to executory contracts and unexpired leases with the Debtor.

2. **Additional Documents**

On or before the Effective Date, the Debtor may File with the Bankruptcy Court any and all agreements and other documents that may be necessary or appropriate in order to effectuate and further evidence the terms and conditions of the Plan.

3. **Payment of Statutory Fees**

All fees payable pursuant to 28 U.S.C. § 1930, as determined by the Bankruptcy Court at a hearing pursuant to Bankruptcy Code section 1128, shall be paid for each quarter (including any fraction thereof) until the Chapter 11 Case is converted, dismissed, or closed, whichever occurs first. In addition, the Debtor shall file post confirmation quarterly reports or any pre-confirmation monthly operating reports not

filed as of the Confirmation Hearing in conformity with the U.S. Trustee guidelines, until entry of an order closing or converting the Chapter 11 Case.

4. Severability

If any term or provision of the Plan is held by the Bankruptcy Court prior to or at the time of Confirmation to be invalid, void or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as so altered or interpreted. In the event of any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan may, at the Debtor's option, remain in full force and effect and not be deemed affected. However, the Debtor reserves the right not to proceed to Confirmation or consummation of the Plan if any such ruling occurs. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

5. Reservation of Rights

Except as otherwise provided in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court enters the Confirmation Order. None of the Filing of the Plan, any statement or provision contained in the Plan, or the taking of any action by the Debtor with respect to the Plan or this Disclosure Statement shall be or shall be deemed to be an admission or waiver of any rights of the Debtor with respect to the Holders of Claims or Equity Interests prior to the Effective Date.

6. Successors and Assigns

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, officer, director, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

7. Notices

All notices, requests, and demands to or upon the Debtor, the Debtor in Possession, or the Reorganized Debtor to be effective shall be in writing, including by facsimile transmission, and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to the Debtor:

Triad Guaranty Inc.
P.O. Box 100503
Birmingham, AL 35210

With a copy (which shall not constitute notice) to:

Shaw Fishman Glantz & Towbin LLC
300 Delaware Avenue, Suite 1370
Wilmington, DE 19801
Attention: Thomas M. Horan

If to the Reorganized Debtor:

Triad Guaranty Inc.
P.O. Box 100503
Birmingham, AL 35210

With a copy (which shall not constitute notice) to:

Shaw Fishman Glantz & Towbin LLC
300 Delaware Avenue, Suite 1370
Wilmington, DE 19801
Attention: Thomas M. Horan

After the Effective Date, the Reorganized Debtor has authority to send a notice to Entities that in order to continue to receive documents pursuant to Bankruptcy Rule 2002, they must File a renewed request to receive documents with the Bankruptcy Court. After the Effective Date, the Reorganized Debtor is authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

8. Further Assurances

The Debtor or the Reorganized Debtor, as applicable, all Holders of Claims receiving distributions pursuant to the Plan, and all other Entities shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan or the Confirmation Order.

9. No Liability for Solicitation or Participation

Pursuant to section 1125(e) of the Bankruptcy Code, Persons that solicit acceptances or rejections of the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable, on account of such solicitation or

participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan.

10. Terms of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Case pursuant to Bankruptcy Code sections 105 or 362 or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan, the Confirmation Order and any order of the Bankruptcy Court shall remain in full force and effect in accordance with their terms.

11. Entire Agreement

Except as otherwise indicated, the Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

12. Preservation of Insurance

The Debtor's discharge and release from and payment of all Claims as provided in the Plan shall not diminish or impair the enforceability of any insurance policy that may cover Claims against the Debtor (including, without limitation, its officers or directors) or any other Person or Entity.

13. Closing of Case

Promptly after the full administration of the Chapter 11 Case, the Reorganized Debtor shall File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Case.

14. Waiver of Estoppel Conflicts

Each Holder of a Claim shall be deemed to have waived any right to assert any argument, including the right to argue that its Claim should be Allowed in a certain amount, in a certain priority, as secured, or not subordinated, by virtue of an agreement made with the Debtor or its counsel, or any other Entity, if such agreement was not disclosed in the Plan, the Disclosure Statement, or papers Filed with the Bankruptcy Court prior to the Confirmation Date.

ARTICLE IV
RULE 9019

1. Approval of All Compromises and Settlements Included in Plan

Pursuant to Bankruptcy Rule 9019 and through the Plan, the Debtor requests approval of all compromises and settlements included in the Plan.

ARTICLE V
CERTAIN FACTORS TO BE CONSIDERED REGARDING THE PLAN

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL IMPAIRED HOLDERS OF EQUITY INTERESTS SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH BELOW, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT.

The following provides a summary of various important considerations and risk factors associated with the Plan. However, it is not exhaustive. In considering whether to vote for or against the Plan, Holders of Equity Interests should read and carefully consider the factors set forth below, as well as all other information set forth or otherwise referenced in this Disclosure Statement.

A. Certain Bankruptcy Law Considerations

1. Parties in Interest May Object To Debtor's Classification of Claims and Equity Interests

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtor believes that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtor created three classes of Claims and Equity Interests, each encompassing Claims or Interests that are substantially similar to the other Claims or Interests in each such class.

2. The Debtor May Not Be Able to Secure Confirmation of the Plan

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting creditor or interest holder might challenge the adequacy of this Disclosure Statement or the balloting procedures and results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that this Disclosure Statement and the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met, including that the terms of the Plan are fair and equitable to non-accepting Classes. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the Plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting Classes, confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization, and

the value of distributions to non-accepting Holders of claims and interests within a particular class under the Plan will not be less than the value of distributions such Holders would receive if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code. While there can be no assurance that these requirements will be met, the Debtor believes that the Plan will not be followed by a need for further financial reorganization and that non-accepting Holders within each Class under the Plan will receive distributions at least as great as would be received following a liquidation under Chapter 7 of the Bankruptcy Code when taking into consideration all administrative expense claims and costs associated with any such Chapter 7 case. The Debtor believes that Holders of unsecured Claims would receive significantly less of a distribution under either a liquidation pursuant to Chapter 7 or Chapter 11.

Confirmation of the Plan is also subject to certain conditions as described herein. If the Plan is not confirmed, it is unclear whether a restructuring of the Debtor could be implemented and what distributions Holders of Claims or Equity Interests ultimately would receive with respect to their Claims or Equity Interests. If an alternative reorganization could not be agreed to, it is possible that the Debtor would have to liquidate its assets, in which case Holders of Claims would receive substantially less favorable treatment than they would receive under the Plan.

The Debtor, subject to the terms and conditions of the Plan, reserves the right to modify the terms of the Plan as necessary for Confirmation. Any such modification could result in a less favorable treatment of any non-accepting Class or Classes, as well as of any Classes junior to such non-accepting Classes, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

3. Risk of Denial of Discharge

Pursuant to section 1141(d)(3) of the Bankruptcy Code, confirmation of a plan does not discharge a debtor if (a) the plan provides for the liquidation of all or substantially all of the property of the estate; (b) the debtor does not engage in business after consummation of the plan; and (c) the debtor would be denied a discharge under Bankruptcy Code section 727(a) if the case were a case under chapter 7. The Debtor believes that section 1141(d)(3) of the Bankruptcy Code is not applicable because, among other reasons, (a) the Reorganized Debtor will continue to have substantial assets, including, but not limited to, its shared interest in approximately $1.08 billion of NOLs as a member of the Consolidated Tax Group (as calculated as of the Consolidated Tax Group's 2015 federal tax filings), and (b) the Reorganized Debtor will continue to engage in business to substantially the same degree that it conducted such business prior to the Petition Date, including, but not limited to performing its obligations under the Tax Sharing Agreement. However, notwithstanding the Debtor's belief that section 1141(d)(3) of the Bankruptcy Code is not applicable, there is a risk that parties in interest may object to the Debtor receiving a discharge under the Plan and/or the Bankruptcy Court could find that the Debtor is not entitled to a discharge under the Plan pursuant to section 1141(d)(3) of the Bankruptcy Code. If the Debtor is denied a discharge under

section 1141(d)(3) of the Bankruptcy Code or otherwise, the value of the assets to be distributed to Holders of Allowed Claims under the Plan could be negatively impacted.

4. Risk of Non-Occurrence of the Effective Date

Although the Debtor believes that the Effective Date may occur shortly following the Confirmation Date, there can be no assurance that the Effective Date will occur or as to the actual timing of the Effective Date.

Any delay in Confirmation and effectiveness of the Plan could result in, among other things, increased Administrative Expense Claims (including Professional Claims). These or any other negative effects of delays in Confirmation or effectiveness of the Plan could endanger the ultimate consummation of the Plan and materially alter creditor outcomes.

5. Risk of Post-Effective Date Default

In the Confirmation Order, the Court will be required to make a judicial determination that the Plan is feasible, but that determination does not serve as any guarantee that there will not be any post-Effective Date defaults. The Debtor believes that the funding available under the Third Financing Order will be sufficient to meet the Reorganized Debtor's operating requirements and other post-Effective Date obligations under the Plan.

6. Amount or Classification of a Claim or Equity Interest May be Subject to Objection

Except as otherwise provided in the Plan, the Debtor reserves the right to object to the amount or classification of any Claim. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim where such Claim is subject to an objection. Any Holder of a Claim may not receive its specified share of the estimated distributions described in this Disclosure Statement.

7. Estimated Claim Amounts by Class May Not be Accurate

There can be no assurance that the estimated Claim amounts assumed for the purposes of preparing the Plan are correct. The actual amount of Allowed Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated for the purpose of preparing the Disclosure Statement. Depending on the outcome of claims objections, the estimated recovery percentages provided in this Disclosure Statement may be different than the actual recovery percentages that are realized under the Plan.

8. Validity of Votes Cast to Accept Plan Not Affected by Contingencies

The distributions available to Holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Claims to be subordinated to other Claims. The occurrence of any and all such contingencies that could affect distributions available to Holders of Allowed Claims under the Plan, however, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

9. **Possible Limitations on Contract or Lease Rights and Protections**

Certain parties to executory contracts or unexpired leases may assert that their contracts or leases are subject to section 365(c) of the Bankruptcy Code and, thus, may not be assumed or assigned absent the consent of such parties. An executory contract or unexpired lease may be subject to section 365(c) if applicable law excuses the non-debtor party from accepting performance from or rendering performance to an entity other than the debtor, whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties. In addition, a contract to make a loan or extend other debt financing or financial accommodations may be subject to section 365(c). In addition, pursuant to section 365(e)(2) of the Bankruptcy Code, contracts or leases of a type subject to section 365(c) may not be protected from termination or modification. If a party to a contract or lease successfully asserts the applicability of section 365(c) and section 365(e)(2), the Debtor may lose the benefit of such contract or lease.

B. **Risk Factors Affecting the Reorganized Debtor**

1. **The Debtor May Not be Able to Identify and Pursue a Business That Will Generate Significant Value for the Previously Issued Common Stock and New Common Stock**

The Debtor is not currently carrying on any business that has the potential to generate significant income or value for the Previously Issued Common Stock and New Common Stock. In order for the Previously Issued Common Stock and New Common Stock to have significant value, the Reorganized Debtor must be able to identify and engage in a business, obtain additional funds to fund such business and successfully operate such business. There is no guarantee that the Reorganized Debtor will be able to identify and pursue a business or obtain funds necessary to operate such business. In addition, any value generated by the Reorganized Debtor's business will be affected by the Reorganized Debtor's ability to utilize its NOLs and other Tax Attributes after the Effective Date. See V.B.3. "The Debtor Might Have an Ownership Change or Not Qualify for the L5 Exception and be Subject to a Limitation on the Use of its NOLs" and V.B.4. "The IRS Could Challenge the Amount of the Reorganized Debtor's NOLs or Other Tax Attributes, or Tax Laws, Regulations or Interpretations Could Change, Negatively Impacting the Reorganized Debtor's NOL or Other Tax Attributes" for discussions regarding the potential change in value of the Debtor's NOLs and other Tax Attributes. The Debtor cannot predict whether it will be successful in generating any

significant value for the Previously Issued Common Stock and New Common Stock after the Effective Date.

2. Assumptions Regarding Value of Debtor's Assets

It has been assumed in the preparation of the Plan that the value of the Debtor's assets generally approximates the fair value thereof, except for specific adjustments discussed in the notes thereto. For financial reporting purposes, the fair value of the assets of the Debtor (including deferred tax assets) must be determined as of the Effective Date. Although such valuation is not presently expected to result in values that are materially different than the values assumed in the preparation of the Plan, there can be no assurance with respect thereto.

3. The IRS Could Challenge the Amount of the Reorganized Debtor's NOLs or Other Tax Attributes, or Tax Laws, Regulations or Interpretations Could Change, Negatively Impacting the Reorganized Debtor's NOLs or Other Tax Attributes

The Debtor estimates that, immediately following the Effective Date, the Consolidated Tax Group will have available approximately $1.08 billion of NOLs. The amount of the Debtor's NOLs or other Tax Attributes has not been audited or otherwise validated by the IRS. The IRS could dispute all or a portion of the Debtor's NOLs or other Tax Attributes, which could significantly reduce the Reorganized Debtor's NOLs or other Tax Attributes. Further, revisions in Federal tax laws, regulations or interpretations thereof could adversely impair the Reorganized Debtor's ability to use the tax benefits associated with its NOLs or other Tax Attributes. As a result, the amount of the NOLs or other Tax Attributes available to the Reorganized Debtor after the Effective Date may be lower than the amount estimated as of the Effective Date.

ARTICLE VI
CERTAIN SECURITIES LAW AND INSURANCE REGULATORY MATTERS

A. Issuance of New Common Stock

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan; (ii) the recipients of the securities must hold prepetition or administrative expense claims against the debtor or interests in the debtor; and (iii) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in exchange for such claims or interests and partly for cash or property.

B. Transferability of New Common Stock Under Applicable Securities and Insurance Regulatory Laws

The New Common Stock may be transferred by recipients following initial issuance under the Plan only if such transfer complies with federal and state securities laws and the Reorganized Debtor's Certificate of Incorporation (including the restrictions described in Article III.D.5 herein) and the insurance regulatory restrictions described in Article VI.A above. The Debtor makes no representation concerning the right of any person to trade in the New Common Stock or other securities. The Debtor recommends that potential recipients of the New Common Stock or other securities consult their own counsel concerning whether they may freely trade New Common Stock or any other securities without compliance with the Securities Act of 1933, as amended, or any other federal or state securities laws or prior insurance regulatory approval.

ARTICLE VII
ACCEPTANCE AND CONFIRMATION OF THE PLAN; VOTING REQUIREMENTS

The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must make a series of findings concerning the Plan and the Debtor, including that (i) the Plan has classified Claims in a permissible manner; (ii) the Plan complies with applicable provisions of the Bankruptcy Code; (iii) the Debtor has complied with applicable provisions of the Bankruptcy Code; (iv) the Debtor has proposed the Plan in good faith and not by any means forbidden by law; (v) the disclosure required by section 1125 of the Bankruptcy Code has been made; (vi) the Plan has been accepted by the requisite votes of Creditors in each class (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code); (vii) the Plan is feasible and confirmation is not likely to be followed by further financial restructuring of the Debtor; (viii) the Plan is in the "best interests" of all Holders of Claims in an Impaired class (see "Best Interests Test" below); and (ix) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation, have been paid or the Plan provides for the payment of such fees on the Effective Date. The Debtor believes that the Plan satisfies all the requirements for confirmation.

A. Best Interests Test

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an impaired allowed claim or interest either (i) accepts the plan or (ii) receives or retains under the plan property of a value, as of the effective date, that is not less than the value such holder would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date (the "Best Interests Test"). To determine whether the Best Interests Test is satisfied, the Bankruptcy Court must estimate the aggregate cash proceeds that would be generated from the liquidation of the Debtor's assets by a chapter 7 trustee, net of administrative expenses, and the aggregate claims that would be allowed against the chapter 7 estate, to determine the estimated creditor payout, which is then compared to the estimated creditor payouts under the Plan. A hypothetical chapter 7

liquidation analysis prepared by the Debtor (the "Liquidation Analysis") is attached to this Disclosure Statement as Exhibit B. As is evident from the Liquidation Analysis, the Debtor believes that Creditors will receive a higher percentage payout on their Claims under the Plan than they would receive in a chapter 7 liquidation. The conversion to chapter 7 may also give rise to certain Causes of Action against the Estate.

In addition, chapter 7 liquidation would result in a significant delay in payments being made to Creditors. Under Bankruptcy Rule 3002(c), conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code would trigger a new bar date for filing claims against the Estate, which would be more than 90 days after the Chapter 11 Case converts. Not only would a chapter 7 liquidation delay distribution to Creditors, but it is possible that additional Claims that were not asserted (or were filed late) in the Chapter 11 Case, could be filed against the Estate. Moreover, the Debtor would lose the benefit of the Tax Attributes as well as the benefit of having an established Administrative Expense Claims Bar Date.

For the reasons set forth above and in the Liquidation Analysis, the Debtor believes that confirmation of the Plan would provide a superior outcome for the holders of Claims when compared to a chapter 7 liquidation. Accordingly, the Plan meets the requirements of the Best Interests Test.

B. Financial Feasibility Test

In order to confirm a plan, the Bankruptcy Code requires the Bankruptcy Court to find that confirmation of the plan is not likely to be followed by the need for further financial restructuring of the Debtor (the "Feasibility Test"). Thus, for the Plan to meet the Feasibility Test, the Bankruptcy Court must find that there is a reasonable likelihood that the Reorganized Debtor will possess sufficient assets to meet its obligations under the Plan. Given the Debtor's access of up to $400,000 in proceeds from the Third Financing Order and the Debtor's minimal future obligations, the Debtor believes that the Disbursing Agent will be able to make all distributions required pursuant to the Plan and, therefore, that Confirmation of the Plan is not likely to be followed by the need for further financial restructuring.

C. Acceptance by Impaired Classes

Section 1129(a) of the Bankruptcy Code requires that each Class of Claims or Equity Interests that is Impaired under the Plan accept the Plan, subject to the "cramdown" exception contained in section 1129(b) of the Bankruptcy Code. .

The sole Voting Class under the Plan will "accept" the Plan if the Plan is accepted by Interest Holders.

Classes that are not Impaired under the Plan will be conclusively presumed to accept the Plan, so solicitation of acceptances from such Classes is not required. A Class is "impaired" unless (i) the legal, equitable and contractual rights to which a Claim or Equity Interest in the Class entitles the holder are not modified or (ii) the effect of any default is cured and the original terms of the obligation are reinstated.

Under the Plan, Class 1 and Class 2 are not Impaired and will, therefore, be deemed to accept the Plan. Class 3 is Impaired (or potentially so) under the Plan and Holders of Equity Interests are entitled to vote to accept or reject the Plan.

The Debtor believes the Plan provides fair and equitable treatment of the Impaired Equity Interests they are the most junior Class of Claims or Interests under the Plan and yet are still retaining their Equity Interests, subject only to dilution as provided for in the Plan.

The Debtor has requested that the Bankruptcy Code confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code.

ARTICLE VIII

TAX CONSEQUENCES

THE DEBTOR HAS NOT REQUESTED A RULING FROM THE IRS OR AN OPINION OF COUNSEL WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. THUS, NO ASSURANCE CAN BE GIVEN AS TO THE TAX CONSEQUENCES OF THE PLAN. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

NO STATEMENT IN THIS DISCLOSURE STATEMENT SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE. THE DEBTOR AND ITS PROFESSIONALS DO NOT ASSUME ANY RESPONSIBILITY OR LIABILITY FOR THE TAX CONSEQUENCES THAT THE HOLDER OF A CLAIM MAY INCUR AS A RESULT OF THE TREATMENT AFFORDED ITS CLAIM UNDER THE PLAN AND DO NOT REPRESENT WHETHER THERE COULD BE ADDITIONAL TAX EXPOSURE TO THEMSELVES AS A RESULT OF THIS PLAN.

ARTICLE IX
RECOMMENDATION AND CONCLUSION

THE DEBTOR BELIEVES THAT CONFIRMATION AND CONSUMMATION OF THE PLAN IS IN THE BEST INTERESTS OF EQUITY HOLDERS AND THAT THE PLAN SHOULD BE CONFIRMED. THE DEBTOR STRONGLY RECOMMENDS THAT ALL EQUITY HOLDERS RECEIVING A BALLOT VOTE IN FAVOR OF THE PLAN.

Dated: September 5, 2017

Respectfully submitted,
TRIAD GUARANTY INC.

/s/ William T. Ratliff, III
By: William T. Ratliff, III
Its: President and Chief Executive Officer