

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA

No. 1:09-cv-00071-NCT-JLW

JAMES L. PHILLIPS, Individually and on	)	<u>CLASS ACTION</u>
Behalf of All Others Similarly Situated,)	
)	
Plaintiff,	)	STIPULATION OF SETTLEMENT
)	
vs.)	
)	
TRIAD GUARANTY INC., et al.,)	
)	
Defendants.)	
)	
_____)	

This Stipulation of Settlement dated as of October 5, 2015 (the “Stipulation”), is made and entered into by and among: (i) Lead Plaintiff Western Pennsylvania Electrical Employees Pension Fund (on behalf of itself and each of the Class Members), by and through its counsel of record in the Litigation; and (ii) Defendants Mark K. Tonnesen and Kenneth W. Jones, by and through their counsel of record in the Litigation.¹ The Stipulation is intended to fully, finally, and forever resolve, discharge, and settle the Released Claims against the Released Persons, subject to the approval of the Court and the terms and conditions set forth in this Stipulation.

I. THE LITIGATION

On January 28, 2009, the initial complaint was filed in this Court against defendants Triad Guaranty Inc. (“Triad”), Mark K. Tonnesen (“Tonnesen”), and Kenneth W. Jones (“Jones”). Dkt. No. 1. On April 16, 2009, the Court issued an order pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. §§78u-4 *et seq.* (the “PSLRA”) appointing Western Pennsylvania Electrical Employees Pension Fund as lead plaintiff for the class (“Lead Plaintiff”). Dkt. No. 15. By the same order, the Court appointed Robbins Geller Rudman & Dowd LLP (“Robbins Geller”) as lead counsel for the class (“Lead Counsel”) and McDaniel & Anderson, L.L.P. as liaison counsel for the class (“Liaison Counsel”). *Id.*

On June 22, 2009, following an extensive investigation, Lead Plaintiff filed the 109-page Amended Class Action Complaint (the “Amended Complaint”), asserting claims for violations of §§10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and Rule 10b-5 promulgated thereunder. Dkt. No. 20.

¹ Capitalized terms not defined in the body of this Stipulation are defined, *infra*, §IV.1.

Defendants moved to dismiss the Amended Complaint on August 21, 2009. Dkt. Nos. 24-26. The briefing on the motion to dismiss was completed on November 19, 2009. Dkt. Nos. 27, 30.

On August 30, 2010, the Court heard oral argument on defendants' motion to dismiss the Amended Complaint. On January 27, 2012, United States Magistrate Judge P. Trevor Sharp issued his Recommendation, recommending that defendants' motion to dismiss be granted. Dkt. No. 54.

Following the issuance of the Recommendation, on February 13, 2012, Lead Plaintiff moved to amend its class action complaint. Dkt. No. 56. The motion was granted on March 13, 2012. Dkt. No. 59.

On March 30, 2012, Lead Plaintiff filed the 126-page Second Amended Class Action Complaint (the "Second Amended Complaint") asserting claims for violations of §§10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder. Dkt. No. 60.

Defendants moved to dismiss the Second Amended Complaint on May 15, 2012. Dkt. Nos. 63-66. The briefing on the motion to dismiss was completed on August 6, 2012. Dkt. Nos. 72, 78.

On July 6, 2012, Lead Plaintiff filed a Motion to Strike Extraneous Documents and References Thereto in Defendants' Motion to Dismiss the Second Amended Class Action Complaint (the "Motion to Strike"). Dkt. No. 73. The briefing on the Motion to Strike was completed on August 20, 2012. Dkt. Nos. 79, 80.

On March 12, 2013, the Court heard oral argument on the motion to dismiss the Second Amended Complaint and Motion to Strike. On May 31, 2013, United States Magistrate Judge Joe L. Webster issued his Order, Memorandum Opinion and Recommendation ("Order and Recommendation"), recommending that defendants' motion to dismiss be denied, and Lead Plaintiff's Motion to Strike be granted. Dkt. No. 87.

After the issuance of the Order and Recommendation, on June 3, 2013, Triad filed a petition for relief under Chapter 11 of Title 11 of the United State Code, 11 U.S.C. §§101 *et seq.* in the United States Bankruptcy Court for the District of Delaware (Case No. 13-11452 (BLS)). Dkt. No. 89.

On June 14, 2013, defendants Tonnesen and Jones (“Defendants”) filed their objections to Judge Webster’s Order and Recommendation. Dkt. No. 90. Lead Plaintiff opposed Defendants’ objections on July 1, 2013. Dkt. No. 92.

On June 25, 2013, this Court entered an order recognizing that the proceeding against Triad was stayed pending the outcome of the bankruptcy court proceedings and ordering the clerk to terminate Triad as a party to the action. Dkt. No. 91.

On July 12, 2013, Defendants sought leave to file a reply in support of their objections to Judge Webster’s Order and Recommendation, which the Court denied on December 2, 2014. Dkt. Nos. 98, 107.

On October 18, 2013, defendant Triad was dismissed from the case with prejudice. Dkt. No. 100.

On March 30, 2015, Senior United States District Judge N. Carlton Tilley, Jr. issued his Memorandum Opinion and Order (“Opinion and Order”) affirming Judge Webster’s Order and Recommendation in part and rejecting it in part. Dkt. No. 108. Judge Tilley’s Opinion and Order granted defendants’ motion to dismiss with prejudice and granted Lead Plaintiff’s Motion to Strike. *Id.* On that same day, the Court entered a Judgment dismissing the action with prejudice. Dkt. No. 109.

On April 29, 2015, Lead Plaintiff filed its notice of appeal to the United States Court of Appeals for the Fourth Circuit. Dkt. No. 110.

Lead Plaintiff and Defendants thereafter engaged in numerous, detailed settlement discussions, that highlighted the factual and legal issues in dispute (Lead Plaintiff and Defendants, collectively the “Settling Parties”).

Subsequent to these settlement discussions and following extensive negotiations, the Settling Parties reached an agreement-in-principle to settle the action, entering into a Memorandum of Understanding on July 16, 2015. Thereafter, the Settling Parties engaged in further negotiations resulting in the Stipulation between Lead Plaintiff and Defendants.

II. DEFENDANTS’ DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny all of the claims and allegations against them in the Litigation, including, among other things, that they made any material misstatements or omissions, that they knew of any alleged material misstatements or omissions, that the Lead Plaintiff or the Class have suffered any damage, that the price of Triad common stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Lead Plaintiff or the Class were otherwise harmed by the conduct alleged in the Litigation. Defendants have denied and continue to deny all claims and allegations of wrongdoing, liability, or violation of law against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. Defendants believe that the evidence developed to date supports their position that they acted properly at all times and in compliance with all applicable laws, and that the Litigation is without merit.

Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the

Litigation. Defendants have, therefore, determined that it is desirable and beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in this Stipulation, without in any way acknowledging any wrongdoing, fault, liability, or damage to Lead Plaintiff or the Class.

III. CLAIMS OF THE LEAD PLAINTIFF AND BENEFITS OF SETTLEMENT

Lead Plaintiff and its counsel believe that the claims asserted in the Litigation have merit and that the evidence developed to date supports these claims. However, Lead Plaintiff and its counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through the current appeal and if successful on appeal, motion(s) to dismiss, summary judgment, trial, post-trial motions, and appeals. Lead Plaintiff and its counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. Lead Plaintiff and its counsel also are mindful of the inherent problems of proof under and possible defenses to the securities law violations asserted in the Litigation. Lead Plaintiff and its counsel have also taken into account Triad's bankruptcy, the limited insurance proceeds available, as well as the fact that Lead Plaintiff's claims were dismissed with prejudice and Lead Plaintiff had filed a notice of appeal to the United States Court of Appeals for the Fourth Circuit. Based on their evaluation, Lead Plaintiff and its counsel have determined that the Settlement set forth in the Stipulation is in the best interests of the Class.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the Lead Plaintiff (for itself and the Class Members) and Defendants, by and through their respective

counsel or attorneys of record, that, subject to the approval of the Court, the Litigation and the Released Claims shall be finally, fully, and forever compromised, settled, and released, and the Litigation shall be dismissed with prejudice, as to all Released Persons, upon and subject to the terms and conditions of the Stipulation, as follows.

1. Definitions

As used in the Stipulation, the following terms have the meanings specified below:

1.1 “Authorized Claimant” means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation.

1.2 “Claims Administrator” means the firm of Gilardi & Co. LLC.

1.3 “Class” means all Persons who purchased Triad common stock between October 26, 2006 and April 1, 2008, inclusive, excluding all Defendants, their families or any trust of which any Defendant is the settler or which is for the benefit of any Defendant’s family. Also excluded from the Class are those Persons who validly and timely request exclusion from the Class.

1.4 “Class Member” or “Member of the Class” mean a Person who falls within the definition of the Class as set forth in ¶1.3 above.

1.5 “Class Period” means the period between October 26, 2006 and April 1, 2008, inclusive.

1.6 “Defendants” means Mark K. Tonnesen and Kenneth W. Jones.

1.7 “Effective Date” means the first date by which all of the events and conditions specified in ¶7.1 of this Stipulation have been met and have occurred.

1.8 “Escrow Account” means the interest bearing account controlled by the Escrow Agent into which Defendants shall cause their insurers to deposit the sum of \$1,600,000.

1.9 “Escrow Agent” means Robbins Geller Rudman & Dowd LLP (or its successor(s)).

1.10 “Final” means the time when the Judgment has not been reversed, vacated, or modified in any way and is no longer subject to appellate review, either because of disposition on appeal and conclusion of the appellate process or because of passage, without action, of time for seeking appellate review. More specifically, Final refers to when: (1) either no appeal has been filed and the time has passed for any notice of appeal to be timely filed in the Litigation; or (2) an appeal has been filed and the court(s) of appeals has/have either affirmed the judgment or dismissed that appeal and the time for any reconsideration or further appellate review has passed; or (3) a higher court has granted further appellate review and that court has either affirmed the underlying judgment or affirmed the court of appeals’ decision affirming the judgment or dismissing the appeal. For purposes of this paragraph, an “appeal” shall include any petition for a writ of certiorari or other writ, petition, or motion that may be filed in connection with approval or disapproval of this Settlement, but shall not include any appeal which concerns only the issue of attorneys’ fees and expenses, the Plan of Allocation of the Settlement Fund, as hereinafter defined, or the procedures for determining Authorized Claimants’ recognized claims and any such appeal shall not in any way delay or affect the time set forth above for the Judgment to become Final.

1.11 “Judgment” means the Final Judgment and Order of Dismissal with Prejudice, substantially in the form attached hereto as Exhibit B.

1.12 “Lead Counsel” means Robbins Geller Rudman & Dowd LLP.

1.13 “Lead Plaintiff” means Western Pennsylvania Electrical Employees Pension Fund.

1.14 “Liaison Counsel” means McDaniel & Anderson L.L.P.

1.15 “Litigation” means the lawsuit filed in the United States District Court for the Middle District of North Carolina captioned *Phillips v. Triad Guaranty Inc., et al.*, No. 1:09-cv-00071-NCT-JLW.

1.16 “Net Settlement Fund” means the portion of the Settlement Fund that shall be distributed to Authorized Claimants as allowed by the Stipulation, the Plan of Allocation, or the Court, less (i) any Court awarded attorneys’ fees, costs, and expenses; (ii) notice and administration costs; (iii) Taxes and Tax Expenses; and (iv) other Court-approved deductions.

1.17 “Notice” means the Notice of Proposed Settlement of Class Action, which is to be sent to all Class Members who can be reasonably identified, substantially in the form attached hereto as Exhibit A-1.

1.18 “Person” means an individual, corporation, partnership, limited partnership, association, joint stock company, joint venture, limited liability company, professional corporation, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

1.19 “Plaintiff” means any plaintiff that has appeared in the Litigation.

1.20 “Plan of Allocation” means a plan or formula of allocation of the Settlement Fund whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the Settlement, Taxes and Tax Expenses, and such attorneys’ fees, costs, expenses, and interest, as well as Lead Plaintiff’s expenses, if any, as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation and none of the Released Persons shall have any responsibility or liability with respect thereto.

1.21 “Preliminary Approval Order” means the proposed order to be entered by the Court preliminarily approving the Settlement and directing notice thereof to the Class, substantially in the form of Exhibit A attached hereto.

1.22 “Proof of Claim” means the proposed Proof of Claim and Release form to be submitted by Class Members, substantially in the form attached hereto as Exhibit A-2.

1.23 “Related Parties” means each Defendant’s heirs, successors, and insurers.

1.24 “Released Claims” means any and all claims, debts, demands, disputes, rights, causes of action, suits, matters, damages, losses, or liabilities of any kind, nature, and character whatsoever arising under federal, state, local, statutory, or common law, or any other law, rule or regulation, whether foreign or domestic, based upon, arising out of, or relating to directly or indirectly to both (a) the purchase of Triad common stock during the Class Period, and (b) the acts, facts, circumstances, statements, or omissions that were asserted or could have been asserted by Lead Plaintiff or any Class Member. It is expressly understood and agreed that Released Claims include Unknown Claims (defined below).

1.25 “Released Persons” means each and all of the Defendants, and their respective Related Parties.

1.26 “Settlement” means the settlement embodied in this Stipulation.

1.27 “Settlement Amount” means One Million Six Hundred Thousand Dollars (\$1,600,000) in cash to be paid to the Escrow Agent pursuant to ¶2.1 of this Stipulation.

1.28 “Settlement Fund” means the Settlement Amount plus all interest and accretions thereto and which may be reduced by payments or deductions as provided herein or by Court order.

1.29 “Settling Parties” means, collectively, Defendants and Lead Plaintiff on behalf of itself and the Class.

1.30 “Unknown Claims” means any Released Claims which Lead Plaintiff or any Class Member does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Persons which, if known by him, her, or it, might have affected his, her, or its settlement

with and release of the Released Persons, or might have affected his, her, or its decisions with respect to this Settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead Plaintiff shall expressly waive and relinquish, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived and relinquished, the provisions, rights, and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor 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 settlement with the debtor.

Lead Plaintiff shall expressly waive and relinquish, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived and relinquished, any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code §1542. Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiff, upon the Effective Date, shall expressly, fully, finally, and forever settle and release and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead

Plaintiff acknowledges, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the Settlement of which this release is a part.

2. The Settlement

a. The Settlement Fund

2.1 Defendants shall pay or cause to be paid the principal amount of One Million Six Hundred Thousand Dollars (\$1,600,000) into the Escrow Account no later than fifteen (15) business days after the entry of the Preliminary Approval Order. Defendants will cause a check, payable to Triad Guaranty Settlement Fund, to be delivered by overnight service to Robbins Geller Rudman & Dowd LLP, Attention: Danelle McNertney, 655 West Broadway, Suite 1900, San Diego, CA 92101. Defendants will be provided a signed W-9 reflecting the taxpayer identification number for the qualified settlement fund in which the Escrow Account has been established prior to the filing of the motion for preliminary approval of the Settlement. In the event that the entire Settlement Amount is not funded when due, Lead Plaintiff shall have the right to terminate the Settlement. Counsel for Lead Plaintiff may terminate the Stipulation on fifteen (15) calendar days' notice to counsel for Defendants. In the event the Settlement Fund is not timely funded, regardless of the reason therefor, Lead Plaintiff's sole remedy shall be its ability to terminate the Stipulation. In no event may Lead Plaintiff, its counsel, or any Member of the Class seek to compel Defendants to fund or make any claim against Defendants regarding the funding of the Settlement Fund.

b. The Escrow Agent

2.2 The Escrow Agent shall invest the Settlement Amount deposited pursuant to ¶2.1 hereof in short term United States Agency or Treasury Securities or other instruments backed by the Full Faith & Credit of the United States Government or an agency thereof, or fully insured by the

United States Government or an agency thereof and shall reinvest the proceeds of these instruments as they mature in similar instruments at their then-current market rates. All risks related to the investment of the Settlement Fund in accordance with the investment guidelines set forth in this paragraph shall be borne by the Settlement Fund. The Released Persons shall have no responsibility for, interest in, or liability whatsoever with respect to investment decisions or the actions of the Escrow Agent, or any transactions executed by the Escrow Agent.

2.3 The Escrow Agent shall not disburse the Settlement Fund except as provided in the Stipulation, by an order of the Court, or with the written agreement of counsel for Defendants.

2.4 Subject to further order(s) and/or directions as may be made by the Court, or as provided in the Stipulation, the Escrow Agent is authorized to execute such transactions as are permitted by the terms of the Stipulation.

2.5 All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

2.6 Without further order of the Court, the Settlement Fund may be used by Lead Counsel to pay reasonable costs and expenses actually incurred in connection with providing notice to the Class, locating Class Members, soliciting claims, assisting with the filing of claims, administering and distributing the Net Settlement Fund to Authorized Claimants, processing Proof of Claim forms, and paying escrow fees and costs, if any, and all Taxes and Tax Expenses.

c. Taxes

2.7 (a) The Settling Parties and the Escrow Agent agree to treat the Settlement Fund as being at all times a “Qualified Settlement Fund” within the meaning of Treas. Reg. §1.468B-1. In addition, the Escrow Agent shall timely make such elections as necessary or advisable to carry out

the provisions of this ¶2.7, including the “relation-back election” (as defined in Treas. Reg. §1.468B-1) back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of the Escrow Agent to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur.

(b) For the purpose of §468B of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, the “administrator” shall be the Escrow Agent. The Escrow Agent shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Settlement Fund (including, without limitation, the returns described in Treas. Reg. §1.468B-2(k)). Such returns (as well as the election described in ¶2.7(a) hereof) shall be consistent with this ¶2.7 and in all events shall reflect that all Taxes (including any estimated Taxes, interest, or penalties) on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided in ¶2.7(c) hereof.

(c) All (a) taxes (including any estimated taxes, interest or penalties) arising with respect to the income earned by the Settlement Fund, including any taxes or tax detriments that may be imposed upon the Released Persons or their counsel with respect to any income earned by the Settlement Fund for any period during which the Settlement Fund does not qualify as a “Qualified Settlement Fund” for federal or state income tax purposes (“Taxes”), and (b) expenses and costs incurred in connection with the operation and implementation of this ¶2.7 (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) the returns described in this ¶2.7) (“Tax Expenses”), shall be paid out of the Settlement Fund; in all events the Released Persons and their counsel and insurers shall have no liability or responsibility for the Taxes or the Tax Expenses. The Escrow

Agent, through the Settlement Fund, shall indemnify and hold each of the Released Persons and their counsel and insurers harmless for Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such indemnification). Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement Fund and shall be timely paid by the Escrow Agent out of the Settlement Fund without prior order from the Court and the Escrow Agent shall be authorized (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts, including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. §1.468B-2(l)(2)); the Released Persons are not responsible and shall not have any liability therefore. The Settling Parties hereto agree to cooperate with the Escrow Agent, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this ¶2.7.

d. Return of Settlement Amount upon Non-Approval or Termination of Settlement

2.8 In the event that the Stipulation is not approved or the Stipulation is terminated, canceled, or fails to become effective for any reason, the Settlement Fund (including accrued interest) less expenses paid, incurred, or due and owing in connection with the administration of the Settlement, including providing notice to the Class, locating Class Members, soliciting claims, assisting with the filing of claims, administering and distributing the Net Settlement Fund to Authorized Claimants, processing Proof of Claim forms, escrow fees and costs if any, and all Taxes and Tax Expenses, provided for herein, shall be refunded within fifteen (15) business days directly to such Person(s) that paid the Settlement Amount pursuant to written instructions from counsel to the Defendants. The Escrow Agent or its designee shall apply for any tax refund owed on the

Settlement Fund and pay the proceeds, after deduction of any fees or expenses incurred in connection with such application(s) for refund, pursuant to written instructions from Defendants' counsel.

3. Preliminary Approval Order and Settlement Hearing

3.1 Shortly after execution of the Stipulation, Lead Plaintiff shall submit the Stipulation together with its exhibits (the "Exhibits") to the Court and shall apply for entry of the Preliminary Approval Order, substantially in the form of Exhibit A attached hereto, requesting, *inter alia*, the preliminary approval of the Settlement set forth in the Stipulation, and approval for the mailing of the Notice and Proof of Claim, and publication of the Summary Notice, substantially in the forms of Exhibits A-1, A-2, and A-3 attached hereto.

3.2 Lead Counsel shall request that after notice is given, the Court hold a hearing (the "Settlement Hearing") to approve the Settlement of the Litigation as set forth herein as fair, reasonable, and adequate. At or after the Settlement Hearing, Lead Counsel also will request that the Court approve the Plan of Allocation and the Fee and Expense Application (as defined below).

4. Releases

4.1 Upon the Effective Date, the Lead Plaintiff and each and every Class Member shall be deemed to have, and by operation of the Judgment shall have (a) fully, finally, and forever waived, released, relinquished, discharged, and dismissed each and every one of the Released Claims against every one of the Released Persons, and (b) covenanted not to sue the Released Persons with respect to all Released Claims, whether or not such Class Member executes and delivers the Proof of Claim form, and whether or not such Class Member shares in the Settlement Fund. The claims released in this paragraph do not include any claims to enforce or for breaches of the Stipulation.

4.2 Upon the Effective Date, Lead Plaintiff and each and every Class Member, will be forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration tribunal, administrative forum, or any other forum, asserting the Released Claims against any of the Released Persons.

4.3 Upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged Lead Plaintiff, each and all of the Class Members, Lead Counsel, Liaison Counsel, and Plaintiff's counsel from all claims (including Unknown Claims) arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Litigation or the Released Claims. The claims released in this paragraph do not include any claims to enforce or for breaches of the Stipulation.

5. Administration and Calculation of Claims, Final Awards, and Supervision and Distribution of the Settlement Fund

5.1 The Claims Administrator shall administer the Settlement subject to the jurisdiction of the Court. The Claims Administrator, subject to such supervision and direction of the Court and/or Lead Counsel as may be necessary or as circumstances may require, shall administer and calculate the claims submitted by Class Members and shall oversee distribution of the Net Settlement Fund to Authorized Claimants.

5.2 The Settlement Fund shall be applied as follows:

(a) to pay all the costs and expenses reasonably and actually incurred in connection with providing notice, locating Class Members, soliciting Class claims, assisting with the filing of claims, administering and distributing the Net Settlement Fund to Authorized Claimants, processing Proof of Claim forms, and paying escrow fees and costs, if any;

- (b) to pay the Taxes and Tax Expenses described in ¶2.7 hereof;
- (c) to pay Plaintiff's counsel's attorneys' fees and expenses, if and to the extent allowed by the Court ("Fee and Expense Award"); and
- (d) to distribute the balance of the Net Settlement Fund to Authorized Claimants as allowed by the Stipulation, the Plan of Allocation, or the Court; provided that such payments may be made only after the Effective Date.

5.3 After the Effective Date, and in accordance with the terms of the Stipulation, the Plan of Allocation, or such further approval and further order(s) of the Court as may be necessary or as circumstances may require, the Net Settlement Fund shall be distributed to Authorized Claimants, subject to and in accordance with the following.

5.4 Within ninety (90) days after the mailing of the Notice or such other time as may be set by the Court, each Person claiming to be an Authorized Claimant shall be required to submit to the Claims Administrator a completed Proof of Claim form, substantially in the form of Exhibit A-2 attached hereto, signed under penalty of perjury and supported by such documents as are specified in the Proof of Claim form.

5.5 Except as otherwise ordered by the Court, all Class Members who fail to timely submit a valid Proof of Claim form within such period, or such other period as may be ordered by the Court, or otherwise allowed, or whose claims have been rejected, shall be forever barred from receiving any payments pursuant to the Stipulation and the Settlement set forth herein, but will in all other respects be subject to and bound by the provisions of the Stipulation, the releases contained herein, and the Judgment, and will be barred from bringing any action against the Released Persons concerning the Released Claims. Notwithstanding the foregoing, Lead Counsel shall have the

discretion to accept late-submitted claims for processing by the Claims Administrator so long as the distribution of the Settlement Fund is not materially delayed thereby.

5.6 The Net Settlement Fund shall be distributed to the Authorized Claimants substantially in accordance with the Plan of Allocation set forth in the Notice and approved by the Court. If there is any balance remaining in the Net Settlement Fund after six (6) months from the initial date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks, or otherwise), Lead Counsel shall, if feasible, reallocate such balance among Authorized Claimants who cashed their checks in the first distribution in an equitable and economic fashion. These redistributions shall be repeated until the balance remaining in the Net Settlement Fund is no longer economically feasible to distribute to Class Members. Thereafter, any balance which still remains in the Net Settlement Fund shall be donated to an Internal Revenue Code Section 501(c)(3) charity designated by Lead Counsel.

5.7 The Released Persons shall have no responsibility for, interest in, or liability whatsoever with respect to the distribution of the Net Settlement Fund, the Plan of Allocation, the determination, administration, or calculation of claims, the payment or withholding of Taxes, or any losses incurred in connection therewith. No Person shall have any claim of any kind against the Released Persons with respect to such matters; and the Class Members, the Lead Plaintiff, and Plaintiff's counsel, release the Released Persons from any and all liability and claims arising from or with respect to such matters, and the Escrow Agent shall indemnify and hold harmless the Released Persons out of the Settlement Fund for all losses relating to such matters.

5.8 No Person shall have any claim against the Lead Plaintiff, Plaintiff's counsel or the Claims Administrator, or any other Person designated by Plaintiff's counsel based on distributions

made substantially in accordance with the Stipulation and the Settlement contained herein, the Plan of Allocation, or further order(s) of the Court.

5.9 It is understood and agreed by the Settling Parties that any proposed Plan of Allocation of the Net Settlement Fund including, but not limited to, any adjustments to an Authorized Claimant's claim set forth therein, is not a part of the Stipulation and is to be considered by the Court separately from the Court's consideration of the fairness, reasonableness, and adequacy of the Settlement set forth in the Stipulation, and any order or proceeding relating to the Plan of Allocation shall not operate to terminate or cancel the Stipulation or affect the finality of the Court's Judgment approving the Stipulation and the Settlement set forth therein, or any other orders entered pursuant to the Stipulation.

6. Lead Counsel's Attorneys' Fees and Expenses

6.1 Lead Counsel may submit an application or applications (the "Fee and Expense Application") for: (a) an award of attorneys' fees; plus (b) expenses incurred in connection with prosecuting the Litigation, plus any interest on such attorneys' fees and expenses at the same rate and for the same periods as earned by the Settlement Fund (until paid) as may be awarded by the Court. Lead Plaintiff may submit a request for its time and expenses in representing the Class. Lead Counsel reserves the right to make additional applications for fees and expenses incurred.

6.2 The fees and expenses, as awarded by the Court, shall be paid to Lead Counsel, as ordered, immediately after the Court executes an order awarding such fees and expenses and enters the Judgment, subject to Plaintiff's counsel's obligation to pay any refunds as required by ¶6.3 below. Lead Counsel may thereafter allocate the attorneys' fees among other Plaintiff's counsel in a manner in which it in good faith believes reflects the contributions of such counsel to the initiation, prosecution, and resolution of the Litigation.

6.3 In the event that the Effective Date does not occur, or the Judgment or the order making the Fee and Expense Award is reversed or modified, or the Stipulation is canceled or terminated for any other reason, and in the event that the Fee and Expense Award has been paid to any extent, then Plaintiff's counsel shall refund to the Settlement Fund such fees and expenses previously paid to them from the Settlement Fund, plus interest thereon at the same rate as earned on the Settlement Fund, within fifteen (15) business days from receiving notice from the Defendants' counsel or from the Court. Each Plaintiff's counsel, as a condition of receiving such fees, expenses and/or costs on behalf of itself and each partner and/or shareholder of it, agrees that its law firm and its partners and/or shareholders are subject to the jurisdiction of the Court for the purpose of enforcing the provisions of this paragraph. Without limitation, each Plaintiff's counsel agrees that the Court may upon application of Defendants and notice to Plaintiff's counsel, summarily issue orders including, but not limited to, judgments and attachment orders and may make appropriate findings of or sanctions for contempt, should such law firm fail to timely repay fees and expenses pursuant to this ¶6.3.

6.4 The procedure for and the allowance or disallowance by the Court of any applications by Lead Counsel for attorneys' fees and expenses, to be paid out of the Settlement Fund, are not part of the Settlement set forth in the Stipulation, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness, and adequacy of the Settlement set forth in the Stipulation, and any order or proceeding relating to the Fee and Expense Application, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of the Judgment approving the Stipulation and the Settlement of the Litigation set forth therein.

6.5 Any fees and expenses awarded by the Court shall be paid solely from the Settlement Fund. The Released Persons shall have no responsibility or liability for any payment of attorneys' fees and expenses to Plaintiff's counsel.

6.6 The Released Persons shall have no responsibility for, or liability with respect to, the allocation among any counsel for Lead Plaintiff or any Plaintiff, and/or any other Person who may assert some claim thereto, of any Fee and Expense Award that the Court may make in the Litigation, and the Released Persons take no position with respect to such matters.

7. Conditions of Settlement, Effect of Disapproval, Cancellation, or Termination

7.1 The Effective Date of the Stipulation shall be the date when all of the following shall have occurred and is conditioned on the occurrence of all of the following events:

(a) Defendants have timely caused to be made the contribution to the Settlement Fund, as required by ¶2.1 hereof;

(b) the Court has entered the Preliminary Approval Order, as required by ¶3.1 hereof;

(c) Defendants have not terminated the Stipulation pursuant to ¶7.3 hereof;

(d) the Court has entered the Judgment, substantially in the form of Exhibit B hereto; and

(e) the Judgment has become Final, as defined in ¶1.10 hereof.

7.2 Upon the occurrence of all of the events referenced in ¶7.1 hereof, any and all remaining interest or right of the Defendants or the Defendants' insurers in or to the Settlement Fund, if any, shall be absolutely and forever extinguished. If all of the conditions specified in ¶7.1

are not met, then the Stipulation shall be canceled and terminated subject to ¶7.5 hereof unless Lead Counsel and counsel for the Defendants mutually agree in writing to proceed with the Stipulation.

7.3 Defendants shall have the option (which option must be exercised unanimously) to terminate the Settlement in the event that Class Members who purchased in the aggregate more than a certain number of shares of Triad common stock during the Class Period choose to exclude themselves from the Class, as set forth in a separate agreement (the “Supplemental Agreement”) executed between Lead Counsel and Defendants’ counsel. The Supplemental Agreement will not be filed with the Court unless requested by the Court or unless a dispute among the Settling Parties concerning its interpretation or application arises and in that event, the Settling Parties will use their best reasonable efforts to file the Supplemental Agreement for the Court’s *in camera* review and/or under seal.

7.4 In the event the Stipulation is not approved or is terminated or canceled, or fails to become effective for any reason: (i) the Settlement Fund shall be refunded in accordance with the terms of ¶2.8; and (ii) the Settling Parties shall be restored to their respective positions in the Litigation as of July 16, 2015. In such event, the terms and provisions of the Stipulation, with the exception of ¶¶1.1-1.30, 2.2, 2.6-2.8, 6.3-6.4, 7.4-7.5 and 8.3-8.4 hereof, shall have no further force and effect with respect to the Settling Parties and neither this Stipulation nor any submission of any party in connection therewith shall be used in this Litigation or in any other proceeding for any purpose, and any judgment or order entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated, *nunc pro tunc*. No order of the Court or modification or reversal on appeal of any order of the Court concerning the Plan of Allocation or the amount of any attorneys’ fees, costs, expenses, and interest awarded by the Court to any of Plaintiff’s counsel shall constitute grounds for cancellation or termination of the Stipulation.

7.5 If the Effective Date does not occur, or if the Stipulation is terminated pursuant to its terms, neither Lead Plaintiff nor any of its counsel shall have any obligation to repay any amounts actually and properly disbursed pursuant to ¶¶2.6 or 2.7. In addition, any expenses already incurred pursuant to ¶¶2.6 or 2.7 hereof at the time of such termination or cancellation but which have not been paid, shall be paid by the Escrow Agent in accordance with the terms of the Stipulation prior to the balance being refunded in accordance with ¶¶2.8 and 7.4 hereof.

8. Miscellaneous Provisions

8.1 The Settling Parties (a) acknowledge that it is their intent to consummate this agreement; and (b) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

8.2 The Settling Parties intend this Settlement to be a final and complete resolution of all disputes between them with respect to the Litigation and of all Released Claims against the Released Persons. The Settlement compromises claims which are contested and shall not be deemed an admission by any Settling Party as to the merits of any claim or defense. The Judgment will contain a finding that, during the course of the Litigation, the parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11. The Settling Parties agree that the Settlement Amount and the other terms of the Settlement were negotiated in good faith by the Settling Parties, and reflect a Settlement that was reached voluntarily after consultation with competent legal counsel. The Settling Parties reserve their right to rebut, in a manner that such party reasonably determines to be appropriate, any contention made by any of the Settling Parties in any public forum that the Litigation was brought or defended in bad faith or without a reasonable basis.

8.3 Defendants deny that they have committed any act or omission giving rise to any liability and/or violation of law, and state that they are entering into this Settlement to eliminate the burden and expense of further litigation. Neither the Stipulation nor the Settlement contained herein, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be deemed to be or may be used in the Litigation or any other proceeding, whether civil, criminal, or administrative, as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of any of the Released Persons; or (b) is or may be deemed to be or may be used in the Litigation or any other proceeding, whether civil, criminal, or administrative, as an admission of, or evidence of, any fault, misrepresentation, omission, or violation of law by any of the Released Persons; or (c) is or may be deemed to be or may be used as an admission or evidence that any claims asserted by Lead Plaintiff was valid, in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. The Released Persons may file the Stipulation and/or the Judgment in any action that may be brought against them in order to support a defense or counterclaim based on 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 or counterclaim.

8.4 The Settlement is not subject to or contingent upon confirmatory discovery or other discovery.

8.5 The parties have agreed to the entry of a bar order in the form reflected in the Final Judgment, which is Exhibit B to this Stipulation.

8.6 All agreements made and orders entered during the course of the Litigation relating to the confidentiality of information shall survive this Stipulation pursuant to their own terms.

8.7 All of the Exhibits to the Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

8.8 The Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest.

8.9 The Stipulation and the Exhibits attached hereto and the Supplemental Agreement constitute the entire agreement among the parties hereto and no representations, warranties, or inducements have been made to any party concerning the Stipulation or its Exhibits other than the representations, warranties, and covenants contained and memorialized in such documents. Except as otherwise provided herein, each party shall bear its own costs.

8.10 Lead Counsel, on behalf of the Class, is expressly authorized by Lead Plaintiff to take all appropriate action required or permitted to be taken by the Class pursuant to the Stipulation to effectuate its terms and also is expressly authorized to enter into any modifications or amendments to the Stipulation on behalf of the Class which it deems appropriate.

8.11 Each counsel or other Person executing the Stipulation or any of its Exhibits on behalf of any party hereto hereby warrants that such Person has the full authority to do so.

8.12 The Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. A complete set of executed counterparts shall be filed with the Court.

8.13 The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the parties hereto.

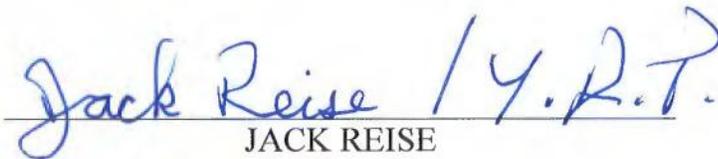
8.14 The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and all parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in the Stipulation.

8.15 This Stipulation and the Exhibits hereto shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in the State of North Carolina, and the rights and obligations of the parties to the Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of North Carolina without giving effect to that State's choice-of-law principles.

8.16 Pending approval by the Court of this Stipulation, all proceedings in this Litigation, except those proceedings related to the Settlement, shall be stayed and all Class Members shall be barred and enjoined from prosecuting any of the Released Claims against any of the Released Persons.

IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, dated as of October 5, 2015.

ROBBINS GELLER RUDMAN
& DOWD LLP
JACK REISE
STEPHEN R. ASTLEY
ELIZABETH A. SHONSON


JACK REISE

120 East Palmetto Park Road, Suite 500
Boca Raton, FL 33432
Telephone: 561/750-3000
561/750-3364 (fax)
jreise@rgrdlaw.com
sastley@rgrdlaw.com
eshonson@rgrdlaw.com

ROBBINS GELLER RUDMAN
& DOWD LLP
JEFFREY D. LIGHT
655 West Broadway, Suite 1900
San Diego, CA 92101-8498
Telephone: 619/231-1058
619/231-7423 (fax)

Lead Counsel for Lead Plaintiff

McDANIEL & ANDERSON, L.L.P.
L. BRUCE McDANIEL (N.C. State Bar #5025)
Lafayette Square
4942 Windy Hill Drive
Raleigh, NC 27609
Telephone: 919/872-3000
919/790-9273 (fax)
mcdas@mcdas.com

Liaison Counsel for Lead Plaintiff

PAUL, WEISS, RIFKIND,
WHARTON & GARRISON LLP
RICHARD A. ROSEN
ROBYN TARNOFSKY



RICHARD A. ROSEN

1285 Avenue of the Americas
New York, NY 10019-6064
Telephone: 212/373-3000
212/757-3990 (fax)

Counsel for Defendants

EXHIBIT A

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA

No. 1:09-cv-00071-NCT-JLW

JAMES L. PHILLIPS, Individually and on	)	<u>CLASS ACTION</u>
Behalf of All Others Similarly Situated,)	
)	
Plaintiff,	)	[PROPOSED] ORDER PRELIMINARILY
	)	APPROVING SETTLEMENT AND
vs.	)	PROVIDING FOR NOTICE
)	
TRIAD GUARANTY INC., et al.,	)	EXHIBIT A
)	
Defendants.)	
)	
_____)	

WHEREAS, a class action is pending in the Court entitled *Phillips v. Triad Guaranty Inc., et al.*, No. 1:09-cv-00071-NCT-JLW (the “Litigation”);

WHEREAS, the Settling Parties having made application, pursuant to Rule 23 of the Federal Rules of Civil Procedure, for an order preliminarily approving the Settlement of this Litigation, in accordance with a Stipulation of Settlement dated October 5, 2015 (the “Stipulation”), which, together with the Exhibits annexed thereto, sets forth the terms and conditions for a Settlement of the Litigation and for dismissal of the Litigation with prejudice as against the Defendants upon the terms and conditions set forth therein; and the Court having read and considered the Stipulation and the Exhibits annexed thereto; and

WHEREAS, all defined terms contained herein shall have the same meanings as set forth in the Stipulation; and

NOW, THEREFORE, IT IS HEREBY ORDERED:

1. The Court does hereby preliminarily approve the Stipulation and the Settlement set forth therein as being fair, reasonable, and adequate as to the Class Members, subject to further consideration at the Settlement Hearing described below.

2. The Court hereby certifies a Class, for settlement purposes only, defined as: “all Persons who purchased Triad common stock between October 26, 2006 and April 1, 2008, inclusive, excluding all Defendants, their families or any trust of which any Defendant is the settler or which is for the benefit of any Defendant’s family. Also excluded from the Class are those Persons who validly and timely request exclusion from the Class.”

3. With respect to the Class, this Court finds for purposes of effectuating this Settlement only that (a) the Members of the Class are so numerous that joinder of all Class Members in the Litigation is impracticable; (b) there are questions of law and fact common to the Class which

predominate over any individual questions; (c) the claims of the Lead Plaintiff are typical of the claims of the Class; (d) Lead Plaintiff and Lead Counsel have fairly and adequately represented and protected the interests of all of the Class Members; and (e) a class action is superior to other available methods for the fair and efficient adjudication of the controversy, considering: (i) the interests of the Members of the Class in individually controlling the prosecution of the separate actions; (ii) the extent and nature of any litigation concerning the controversy already commenced by Members of the Class; (iii) the desirability or undesirability of continuing the litigation of these claims in this particular forum; and (iv) the difficulties likely to be encountered in the management of the class action.

4. A hearing (the “Settlement Hearing”) shall be held before this Court on _____, 2015, at _____.m., at the United States District Court for the Middle District of North Carolina, 324 W. Market Street, Greensboro, NC 27401, to determine whether the proposed Settlement of the Litigation on the terms and conditions provided for in the Stipulation is fair, reasonable, and adequate as to the Class and should be approved by the Court; whether a Judgment, substantially in the form of Exhibit B to the Stipulation, should be entered herein; whether the Plan of Allocation should be approved; to determine the amount of fees and expenses that should be awarded to Lead Counsel; and to determine the amount of expenses to be awarded to Lead Plaintiff. The Court may adjourn the Settlement Hearing without further notice to Members of the Class.

5. The Court approves, as to form and content, the Notice of Proposed Settlement of Class Action (the “Notice”), the Proof of Claim and Release form (the “Proof of Claim”), and Summary Notice annexed as Exhibits A-1, A-2, and A-3 hereto and finds that the mailing and distribution of the Notice and publishing of the Summary Notice substantially in the manner and form set forth in ¶¶6-7 of this Order meet the requirements of Rule 23 of the Federal Rules of Civil

Procedure and due process, and is the best notice practicable under the circumstances and shall constitute due and sufficient notice to all Persons entitled thereto.

6. The Court appoints the firm of Gilardi & Co. LLC (“Claims Administrator”) to supervise and administer the notice procedure as well as the processing of claims as more fully set forth below:

(a) Not later than _____, 2015 (the “Notice Date”), the Claims Administrator shall cause a copy of the Notice and Proof of Claim, substantially in the forms annexed as Exhibits A-1 and A-2 hereto, to be mailed by First-Class Mail to all Class Members who can be identified with reasonable effort and to be posted on a case specific website at www.triadsecuritieslitigation.com;

(b) Not later than _____, 2015, the Claims Administrator shall cause the Summary Notice to be published once in the national edition of *Investor’s Business Daily* and once over the *PR Newswire*;

(c) Not later than seven (7) calendar days prior to the Settlement Hearing, Lead Counsel shall serve on Defendants’ counsel and file with the Court proof, by affidavit or declaration, of such mailing and publishing; and

(d) The Claims Administrator shall provide counsel for Lead Plaintiff and Defendants with copies of any requests for exclusion received, and any written retractions of requests for exclusion, as expeditiously as possible and in any event at least twenty-one (21) calendar days prior to the Settlement Hearing.

7. Any nominee who purchased Triad common stock between October 26, 2006 and April 1, 2008, inclusive, for the benefit of another Person shall send the Notice and the Proof of Claim to all such beneficial owners of Triad common stock within seven (7) days after receipt

thereof, or send a list of the names and addresses of such beneficial owners to the Claims Administrator within seven (7) days of receipt thereof, in which event the Claims Administrator shall promptly mail the Notice and Proof of Claim to such beneficial owners. Such nominees shall be entitled to reimbursement from the Settlement Fund for their reasonable expenses actually incurred in carrying out the requirements of this paragraph.

8. Any person falling within the definition of the Class who desires to request exclusion from the Class shall do so within the time set forth and in the manner described in the Notice. Unless the Court orders otherwise, no request for exclusion shall be valid unless it is made within the time set forth and in the manner described in the Notice.

9. All Members of the Class shall be bound by the provisions of the Stipulation and all determinations and judgments in the Litigation concerning the Settlement, including, but not limited to, the releases provided for therein, whether favorable or unfavorable to the Class, regardless of whether such Persons seek or obtain by any means, including, without limitation, by submitting a Proof of Claim or any similar document, any distribution from the Settlement Fund or the Net Settlement Fund.

10. Class Members who wish to participate in the Settlement shall complete and submit Proofs of Claim in accordance with the instructions contained therein. Unless the Court orders otherwise, all Proofs of Claim must be submitted no later than ninety (90) days from the Notice Date. Any Class Member who does not timely submit a Proof of Claim within the time provided for shall be barred from sharing in the distribution of the proceeds of the Net Settlement Fund, unless otherwise ordered by the Court. Notwithstanding the foregoing, Lead Counsel may, in its discretion, accept for processing late claims so long as the distribution of the Net Settlement Fund to Authorized Claimants is not materially delayed thereby.

11. Any Member of the Class may enter an appearance in the Litigation, at their own expense, individually or through counsel of their own choice. If they do not enter an appearance, they will be represented by Lead Counsel.

12. All proceedings in the Litigation are stayed until further order of the Court, except as may be necessary to implement the Settlement or comply with the terms of the Stipulation. Pending final determination of whether the Settlement should be approved, neither the Lead Plaintiff nor any Class Members, either directly, representatively, or in any other capacity, shall commence or prosecute against any of the Released Persons, any action or proceeding in any court or tribunal asserting any of the Released Claims, regardless of whether or not any such Class Member has appeared in the Litigation.

13. Any Member of the Class may appear and show cause, if he, she, or it has any reason why the Settlement of the Litigation should or should not be approved as fair, reasonable, and adequate, why the Judgment should or should not be entered thereon, substantially in the form annexed as Exhibit B to the Stipulation, why the Plan of Allocation should or should not be approved as fair, reasonable, and adequate, or why attorneys' fees and expenses should or should not be awarded to Lead Counsel or Lead Plaintiff; provided, however, that no Class Member or any other Person shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered thereon, or the order approving the Plan of Allocation, or the attorneys' fees and expenses to be awarded to Lead Counsel or Lead Plaintiff, unless written objections and copies of any papers and briefs in support of said objections and proof of membership in the Class are received by Jeffrey D. Light, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101; and Richard A. Rosen, Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019, on or

before _____, 2015, and said objections, papers, and briefs are filed with the Clerk of the United States District Court for the Middle District of North Carolina, 324 W. Market Street, Greensboro, NC 27401, on or before _____, 2015. Any Member of the Class who does not make his, her, or its objection in the manner provided shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the Settlement as incorporated in the Stipulation, to the Plan of Allocation, or to the award of attorneys' fees and expenses to Lead Counsel, unless otherwise ordered by the Court.

14. All funds held by the Escrow Agent shall be deemed and considered to be in the custody of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed or returned to the Person(s) paying the same pursuant to the Stipulation and/or further order(s) of the Court.

15. All motions and papers in support of the Settlement, the Plan of Allocation, and any application by Lead Counsel for attorneys' fees and expenses and interest thereon or by Lead Plaintiff for its expenses shall be filed and served no later than fourteen (14) calendar days prior to the objection deadline in ¶13. Any reply papers shall be filed no later than seven (7) calendar days prior to the Settlement Hearing.

16. All reasonable expenses incurred in identifying and notifying Class Members, as well as administering the Settlement Fund, shall be paid as set forth in the Stipulation. In the event the Settlement is not approved by the Court, or otherwise fails to become effective, neither Lead Plaintiff, any Plaintiff, nor any of their counsel, including Lead and Liaison Counsel shall have any obligation to repay any amounts incurred or properly disbursed pursuant to ¶¶2.6 or 2.7 of the Stipulation.

17. If for any reason the Stipulation is not approved, or is terminated, cancelled, or fails to become effective for any reason, this Order, and any judgment or order entered by the Court in accordance with the terms of the Stipulation, shall be treated as vacated, *nunc pro tunc*, and the provisions of §§1.1-1.30, 2.2, 2.6-2.8, 6.3-6.4, 7.4-7.5 and 8.3-8.4 of the Stipulation shall apply.

18. Without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any of the provisions of this Order or the Stipulation.

19. The Court reserves the right to adjourn the date of the Settlement Hearing without further notice to the Members of the Class, and retains jurisdiction to consider all further applications arising out of or connected with the Settlement. The Court may approve the Settlement, with such modifications as may be agreed to by the Settling Parties, if appropriate, without further notice to the Class.

20. If the Stipulation and the Settlement set forth therein is not approved or consummated for any reason whatsoever, the Stipulation and Settlement and all proceedings had in connection therewith shall be without prejudice to the rights of the Settling Parties *status quo ante*.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE N. CARLTON TILLEY, JR.
SENIOR UNITED STATES DISTRICT JUDGE

EXHIBIT A-1

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA

No. 1:09-cv-00071-NCT-JLW

JAMES L. PHILLIPS, Individually and on	)	<u>CLASS ACTION</u>
Behalf of All Others Similarly Situated,)	
)	
Plaintiff,	)	NOTICE OF PROPOSED SETTLEMENT OF
	)	CLASS ACTION
vs.)	
	)	EXHIBIT A-1
TRIAD GUARANTY INC., et al.,)	
)	
Defendants.)	
)	
_____)	

If you purchased Triad Guaranty Inc. (“Triad”) common stock¹ between October 26, 2006 and April 1, 2008, inclusive (the “Class Period”), and are not otherwise excluded from the Class (see Question 6 below), you could get a payment from a class action settlement.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Security and Time Period: Triad common stock between October 26, 2006 and April 1, 2008, inclusive.

Settlement Fund: \$1,600,000 in cash plus any interest earned. Your recovery will depend on the timing of your purchases and sales of Triad common stock during the Class Period. Based on the information currently available to Lead Plaintiff and the analysis performed by its damages consultants, it is estimated that if Class Members submit claims for 100% of the shares eligible for distribution under the Plan of Allocation (described below), the estimated average distribution per share of common stock will be approximately \$0.08 before deduction of Court-approved fees and expenses, including the cost of notifying Members of the Class and settlement administration and any attorneys’ fees and expenses awarded by the Court to Lead Counsel and any award to Lead Plaintiff for its representation of the Class. Historically, actual claims rates are less than 100%, which result in higher distributions per share. A Class Member’s actual recovery will be a proportion of the Net Settlement Fund determined by that claimant’s recognized claim as compared to the total recognized claims of all Class Members who submit valid Proof of Claim and Release forms (“Proof of Claim”).

¹ This Notice incorporates by reference the definitions in the Stipulation of Settlement dated as of October 5, 2015 (“Stipulation”), and all capitalized terms used, but not defined herein, shall have the same meanings as in the Stipulation. The Stipulation and its exhibits can be obtained at www.triadsecuritieslitigation.com.

Reasons for Settlement: Avoids the costs and risks associated with continued litigation, including the danger of no recovery. Indeed, the Court dismissed Lead Plaintiff's claims with prejudice. As a result of the Court's order, Lead Plaintiff filed a notice of appeal with the Court of Appeals for the Fourth Circuit. Lead Plaintiff's appeal was pending at the time the parties reached the Settlement. There was no guarantee that Lead Plaintiff would have been successful and if it was not successful on appeal, the Class would have recovered no money.

If the Case Had Not Settled: Continuing with the case could have resulted in loss at summary judgment, trial, or on appeal. The two sides vigorously disagree on both liability and the amount of money, if any, that could have been won if Lead Plaintiff prevailed at trial. The parties disagree, among other things, about: (1) whether Defendants made any false or misleading statements or omissions; (2) whether any such statements, if made, were material; (3) whether any such statements, if made, were made knowingly or recklessly; (4) whether the price of Triad common stock was artificially inflated during the Class Period; and (5) whether Lead Plaintiff or the Class incurred any damages recoverable under the federal securities laws.

Attorneys' Fees and Expenses: Court-appointed Lead Counsel will ask the Court for attorneys' fees of 30% of the Settlement Amount and expenses not to exceed \$115,000.00 to be paid from the Settlement Amount, plus interest. Lead Plaintiff may also apply for its time and expenses in representing the Class. Lead Counsel has not received any payment for its work in investigating the facts, prosecuting this Litigation, and negotiating this Settlement on behalf of the Lead Plaintiff and the Class. If the above amounts are requested by Lead Counsel and approved by the Court, the average cost per share of common stock will be approximately \$0.03.

Deadlines:

Submit Claim: _____, 2015

Request Exclusion: _____, 2015

File Objection: _____, 2015

Court Hearing on Fairness of Settlement: _____, 2015

More Information: www.triadsecuritieslitigation.com or

Claims Administrator: Representative of Lead Counsel:

Triad Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040
1-855-278-2821

Rick Nelson
Shareholder Relations
Robbins Geller Rudman & Dowd LLP
655 West Broadway, Suite 1900
San Diego, CA 92101
1-800-449-4900

- Your legal rights are affected whether you act or do not act. Read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

SUBMIT A CLAIM FORM

If you are a Class Member and do not exclude yourself from the Class, the only way to get a payment is to submit a Proof of Claim. You may submit a Proof of Claim and still object to any aspect of the Settlement, the request for an award of attorneys’ fees and expenses, and/or the Plan of Allocation. If you submit a Proof of Claim, you give up your right to participate in another lawsuit against the Defendants for the legal claims in this case. See Answer to Question 12 for a more detailed description of what you are giving up if you submit Proof of Claim.

EXCLUDE YOURSELF

Get no payment. This is the only option that allows you to participate in another lawsuit against the Defendants for the legal claims in this case.

OBJECT

If you are a Class Member and do not exclude yourself from the Class, you may write to the Court if you do not like the Settlement, the request for attorneys' fees and expenses, or the Plan of Allocation. If you submit an objection to the Settlement, Plan of Allocation, or the request for an award of attorneys' fees and expenses and do not submit a Proof of Claim seeking payment from the Settlement proceeds, your objection may be rejected because you would not have an interest in the Settlement Fund.

GO TO A HEARING

You may ask to speak in Court about the fairness of the Settlement, the request for attorneys' fees and expenses, or the Plan of Allocation.

DO NOTHING

If you do nothing, you will not receive any payment, will not be allowed to object to the Settlement, and will give up your right to participate in another lawsuit against the Defendants for the legal claims in this case. *See Answer to Question 12 for a more detailed description of what you are giving up if you do nothing.*

- These rights and options — *and the deadlines to exercise them* — are explained in this Notice.
- The Court in charge of this case must decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased Triad common stock between October 26, 2006 and April 1, 2008, inclusive.

The Court directed that you be sent this Notice because you have a right to know about a proposed Settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves it and after any objections or appeals (if there are any) are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Middle District of North Carolina (the “Court”), and the case is known as *Phillips v. Triad Guaranty Inc., et al.*, No. 1:09-cv-00071-NCT-JLW. The entity that leads the Litigation, Western Pennsylvania Electrical Employees Pension Fund, is called the Lead Plaintiff and the individuals it sued are called Defendants.

2. What is this lawsuit about?

This Litigation alleges that Defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”) by misrepresenting and omitting material facts about Triad’s business and financial results. Specifically, Lead Plaintiff alleges that Triad under-priced certain of its insurance products known as Modified Pool Insurance by knowingly or recklessly under-appreciating the risk involved in the transactions. Lead Plaintiff alleges that when Defendants disclosed the truth about Triad’s financial results, Class Members suffered damages as a result of the decline in the price of Triad common stock. The following is a brief procedural history of the Litigation.

On March 30, 2012, Lead Plaintiff filed the Second Amended Class Action Complaint (the “Second Amended Complaint”) asserting claims for violations of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder. Defendants moved to dismiss the Second Amended Complaint on May 15, 2012. On July 6, 2012, Lead Plaintiff filed a Motion to Strike Extraneous Documents and References Thereto in Defendants’ Motion to Dismiss the Second Amended Class Action Complaint (the “Motion to Strike”).

On March 12, 2013, the Court heard oral argument on the motion to dismiss the Second Amended Complaint and Motion to Strike. On May 31, 2013, United States Magistrate Judge Joe L. Webster issued his Order, Memorandum Opinion and Recommendation (“Order and Recommendation”), recommending that the motion to dismiss be denied, and Lead Plaintiff’s Motion to Strike be granted.

After the issuance of the Order and Recommendation, on June 3, 2013, Triad filed for bankruptcy in the United States Bankruptcy Court for the District of Delaware.

On June 14, 2013, Defendants filed their objections to Judge Webster's Order and Recommendation. Lead Plaintiff opposed Defendants' objections on July 1, 2013.

On June 25, 2013, the Court entered an order recognizing that the proceeding against Triad was stayed pending the outcome of the bankruptcy court proceedings and ordering the clerk to terminate Triad as a party to the action. On October 18, 2013, defendant Triad was dismissed from the case with prejudice.

On March 30, 2015, Senior United States District Judge N. Carlton Tilley, Jr. issued his Memorandum Opinion and Order ("Opinion and Order") affirming Judge Webster's Order and Recommendation in part and rejecting it in part. Judge Tilley's Opinion and Order granted the motion to dismiss with prejudice and granted Lead Plaintiff's Motion to Strike. On that same day, the Court entered a Judgment dismissing the action with prejudice.

On April 29, 2015, Lead Plaintiff filed its notice of appeal to the United States Court of Appeals for the Fourth Circuit. The proposed Settlement was reached while Lead Plaintiff's appeal was pending.

Defendants deny all of Lead Plaintiff's allegations, including that they made any material misrepresentations or omissions or that the Lead Plaintiff or the Class Members were harmed by the conduct alleged in the Second Amended Complaint. Defendants further deny that they did anything wrong and maintain that their conduct was at all times proper and in compliance with applicable provisions of law.

3. Why is this a class action?

In a class action, one or more people called class representatives (in this case, the Court appointed the Western Pennsylvania Electrical Employees Pension Fund as Lead Plaintiff) sue on behalf of people who have similar claims. All of these people and/or entities are called a class or

class members. One judge – in this case, Senior United States District Judge N. Carlton Tilley, Jr. – resolves the issues for all class members, except for those who exclude themselves from the class.

4. Why is there a settlement?

The Court did not decide in favor of the Lead Plaintiff or Defendants. Instead, the lawyers for both sides of the lawsuit have negotiated a Settlement, that they believe is in the best interests of their respective clients. The Settlement allows both sides to avoid the risks and cost of lengthy and uncertain litigation, including Lead Plaintiff's appeal of the Judgment dismissing its and the Class' claims. It also permits Class Members to be compensated without further delay. The Lead Plaintiff and its attorneys think the Settlement is best for all Class Members. The Defendants deny any wrongdoing and their agreement to settle this Litigation shall in no event be construed or deemed to be evidence of an admission or concession on the part of any Defendant with respect to any claim or of any fault, liability, wrongdoing, or damage.

WHO GETS MONEY FROM THE SETTLEMENT

To see if you will get money from this Settlement, you first have to determine if you are a Class Member.

5. How do I know if I am part of the Settlement?

The Class includes *all Persons who purchased Triad common stock between October 26, 2006 and April 1, 2008, inclusive.*

6. Are there exceptions to being included in the Class?

Yes. Excluded from the Class are all Defendants, their families or any trust of which any Defendant is the settler or which is for the benefit of any Defendant's family. Also excluded from the Class are those Persons who validly and timely request exclusion from the Class pursuant to this Notice.

7. I'm still not sure if I am included.

If you still are not sure whether you are included, you can ask for free help. You can call 1-855-278-2821 or visit www.triadsecuritieslitigation.com for more information; or, you can call Rick Nelson, Shareholder Relations, Robbins Geller Rudman & Dowd LLP, at 1-800-449-4900 for more information; or, you can fill out and return the Proof of Claim described in Question 10 to see if you qualify.

THE SETTLEMENT BENEFITS – WHAT YOU GET

8. What does the Settlement provide?

Defendants have agreed to pay or cause their insurers to pay \$1,600,000 in cash (the “Settlement Amount”). The Settlement Amount, plus interest earned from the date it is established (the “Settlement Fund”), less costs, fees, and expenses (the “Net Settlement Fund”), will be divided among all eligible Class Members who send in valid Proofs of Claim (“Authorized Claimants”). Costs, fees, and expenses include Court-approved attorneys’ fees and expenses, the costs of notifying Class Members, including the costs of printing and mailing this Notice and the cost of publishing newspaper notice, the costs of claims administration, and Taxes on the Settlement Fund.

9. How much will my payment be?

Your share of the Net Settlement Fund will depend on the number of valid Proofs of Claim that Class Members send in and how many shares of Triad common stock you purchased during the relevant period and when you bought and sold them.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Plaintiff conferred with its damages consultants and the Plan of Allocation reflects its judgment regarding the relative strengths of the claims at issue that it believes could have been recovered had it prevailed at trial.

In the unlikely event there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

A "claim" will be calculated as follows:

The calculation of claims below is not an estimate of the amount you will receive. It is a formula for allocating the Net Settlement Fund among all Authorized Claimants. Furthermore, if any of the formulas set forth below yield an amount less than \$0.00 the claim per share is \$0.00.

The allocation below is based on the following price declines as well as the statutory PSLRA 90-day look-back amount of \$1.04:

August 28, 2007 Price Decline: \$6.00

April 2, 2008 Price Decline: \$1.86

1. For shares of Triad common stock **purchased on or between October 26, 2006 through August 27, 2007**, the claim per share shall be as follows:
 - a) If sold prior to August 28, 2007, the claim per share is zero.
 - b) If sold on August 28, 2007 through April 1, 2008, the claim per share shall be the lesser of (i) \$6.00 (August 28, 2007 Price Decline), or (ii) the difference between the purchase price and the selling price.
 - c) If retained at the end of April 1, 2008 and sold before June 30, 2008, the claim per share shall be the lesser of (i) \$7.86 (August 28, 2007 and April 2, 2008 Price Declines), or (ii) the difference between the purchase price and the selling price, or (iii) the difference between the purchase price per share and the average closing price per share up to the date of sale as set forth in the table below.
 - d) If retained, or sold, on or after June 30, 2008, the claim per share shall be the

lesser of (i) \$7.86 (August 28, 2007 and April 2, 2008 Price Declines), or (ii) the difference between the purchase price per share and \$1.04 per share.

2. For shares of Triad common stock **purchased on or between August 28, 2007 through April 1, 2008**, the claim per share shall be as follows:

a) If sold prior to April 2, 2008, the claim per share is zero.

b) If retained at the end of April 1, 2008 and sold before June 30, 2008, the claim per share shall be the lesser of (i) \$1.86 (April 2, 2008 Price Decline), or (ii) the difference between the purchase price and the selling price, or (iii) the difference between the purchase price per share and the average closing price per share up to the date of sale as set forth in the table below.

c) If retained, or sold, on or after June 30, 2008, the claim per share shall be the lesser of (i) \$1.86 (April 2, 2008 Price Decline), or (ii) the difference between the purchase price per share and \$1.04 per share.

Date	Closing Price	Average Closing Price
4/2/2008	\$3.39	\$3.39
4/3/2008	\$2.58	\$2.58
4/4/2008	\$2.15	\$2.15
4/7/2008	\$2.55	\$2.55
4/8/2008	\$2.26	\$2.26
4/9/2008	\$2.13	\$2.13
4/10/2008	\$2.20	\$2.20
4/11/2008	\$2.55	\$2.55
4/14/2008	\$2.45	\$2.45
4/15/2008	\$2.30	\$2.30
4/16/2008	\$2.51	\$2.51
4/17/2008	\$2.59	\$2.59
4/18/2008	\$2.47	\$2.47
4/21/2008	\$2.39	\$2.39
4/22/2008	\$2.43	\$2.43
4/23/2008	\$2.28	\$2.28
4/24/2008	\$2.44	\$2.44
4/25/2008	\$2.33	\$2.33
4/28/2008	\$2.32	\$2.32
4/29/2008	\$2.35	\$2.35
4/30/2008	\$2.28	\$2.28
5/1/2008	\$2.38	\$2.38
5/2/2008	\$2.39	\$2.39
5/5/2008	\$2.45	\$2.45

5/6/2008	\$2.55	\$2.55
5/7/2008	\$2.40	\$2.40
5/8/2008	\$2.38	\$2.38
5/9/2008	\$2.27	\$2.27
5/12/2008	\$2.27	\$2.27
5/13/2008	\$2.21	\$2.21
5/14/2008	\$2.21	\$2.21
5/15/2008	\$2.34	\$2.34
5/16/2008	\$2.36	\$2.36
5/19/2008	\$2.35	\$2.35
5/20/2008	\$2.24	\$2.24
5/21/2008	\$2.18	\$2.18
5/22/2008	\$2.23	\$2.23
5/23/2008	\$2.08	\$2.08
5/27/2008	\$2.13	\$2.13
5/28/2008	\$2.17	\$2.17
5/29/2008	\$2.22	\$2.22
5/30/2008	\$2.21	\$2.21
6/2/2008	\$2.19	\$2.19
6/3/2008	\$2.14	\$2.14
6/4/2008	\$2.12	\$2.12
6/5/2008	\$2.11	\$2.11
6/6/2008	\$1.99	\$1.99
6/9/2008	\$1.77	\$1.77
6/10/2008	\$1.77	\$1.77
6/11/2008	\$1.81	\$1.81
6/12/2008	\$1.92	\$1.92
6/13/2008	\$2.00	\$2.00
6/16/2008	\$2.11	\$2.11
6/17/2008	\$1.93	\$1.93
6/18/2008	\$2.05	\$2.05
6/19/2008	\$1.22	\$1.22
6/20/2008	\$1.13	\$1.13
6/23/2008	\$1.04	\$1.04
6/24/2008	\$1.07	\$1.07
6/25/2008	\$1.20	\$1.20
6/26/2008	\$1.03	\$1.03
6/27/2008	\$1.01	\$1.01
6/30/2008	\$1.04	\$1.04

For Class Members who held Triad common stock at the beginning of the Class Period or made multiple purchases or sales during the Class Period, the first-in, first-out (“FIFO”) method will be applied to such holdings, purchases, and sales for purposes of calculating a claim. Under the

FIFO method, sales of Triad common stock during the Class Period will be matched in chronological order, first against common stock held at the beginning of the Class Period. The remaining sales of Triad common stock during the Class Period will then be matched, in chronological order, against like common stock purchased during the Class Period.

An Authorized Claimant will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in Triad common stock during the Class Period are subtracted from all losses. However, the proceeds from sales of Triad common stock which have been matched against like stock held at the beginning of the Class Period will not be used in the calculation of such net loss.

The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No Person shall have any claim against Lead Plaintiff, any Plaintiff's counsel, any claims administrator or other Person designated by Lead Counsel or Defendants and/or the Related Parties and/or the Released Persons and/or their counsel based on distributions made pursuant to the Stipulation and the Settlement contained therein, the Plan of Allocation, or further orders of the Court. All Class Members who fail to complete and file a valid and timely Proof of Claim shall be barred from participating in distributions from the Net Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound, unless they exclude themselves from the Class, by all of the terms of the Stipulation, including the terms of any order and/or judgment entered and the releases given.

HOW YOU GET A PAYMENT – SUBMITTING A CLAIM FORM

10. How will I get a payment?

To qualify for a payment, you must send in a Proof of Claim. A Proof of Claim is enclosed with this Notice or it can be downloaded at www.triadsecuritieslitigation.com. Read the instructions carefully, fill out the form, include all the documents the form asks for, sign it, and mail it in the enclosed envelope or submit it online no later than _____, 2015. The claim form may be submitted online at www.triadsecuritieslitigation.com.

11. When would I get my payment?

The Court will hold a hearing on _____, 2015, at _____.m., to decide whether to approve the Settlement. If Judge Tilley approves the Settlement, there may be appeals. It is always uncertain whether these appeals can be resolved favorably, and resolving them can take time, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. If there are no appeals and depending on the number of claims submitted, the Claims Administrator could distribute the Net Settlement Fund as early as nine months after the fairness hearing. Please be patient.

12. What am I giving up to get a payment or stay in the Class?

Unless you exclude yourself, you are staying in the Class, and that means that, if the Settlement is approved, you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants about the same issues in this case or about issues that could have been asserted in this case. It also means that all of the Court's orders will apply to you and legally bind you and you will release your Released Claims in this case against the Released Persons.

- “Released Claims” means any and all claims, debts, demands, disputes, rights, causes of action, suits, matters, damages, losses, or liabilities of any kind, nature, and character whatsoever arising under federal, state, local, statutory, or common law, or any other law, rule or regulation, whether foreign or domestic, based upon, arising

out of, or relating to directly or indirectly to both (a) the purchase of Triad common stock during the Class Period, and (b) the acts, facts, circumstances, statements, or omissions that were asserted or could have been asserted by Lead Plaintiff or any Class Member. It is expressly understood and agreed that Released Claims include Unknown Claims.

- “Released Persons” means each and all of the Defendants, and their respective Related Parties.
- “Related Parties” means each Defendant’s heirs, successors, and insurers.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, but you want to keep the right to sue or continue to sue one or more of the Defendants on your own about the same issues in this case, then you must take steps to get out of the Class. This is called excluding yourself or is sometimes referred to as “opting out” of the Class.

13. How do I get out of the Class?

To exclude yourself from the Class, you must send a letter by mail stating that you want to be excluded from *Phillips v. Triad Guaranty Inc., et al.*, No. 1:09-cv-00071-NCT-JLW. You must include your name, address, telephone number, your signature, the number of shares of Triad common stock you purchased and sold between October 26, 2006 and April 1, 2008, inclusive, the dates of such purchases and sales, and the prices of such purchases and sales. You must mail your exclusion request postmarked no later than _____, 2015 to:

Triad Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to get any Settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit.

14. If I do not exclude myself, can I sue Defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue Defendants and their Related Parties for all Released Claims. Remember, the exclusion deadline is _____, 2015.

15. If I exclude myself, can I get money from this Settlement?

No. If you exclude yourself, do not send in a Proof of Claim to ask for any money. Once you exclude yourself, you will receive no cash payment even if you also submit a Proof of Claim.

THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The Court appointed the law firm of Robbins Geller Rudman & Dowd LLP to represent you and other Class Members. These lawyers are called Lead Counsel. These lawyers will apply to the Court for payment from the Settlement Fund; you have not been and will not otherwise be charged for their work. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

At the fairness hearing, Lead Counsel will request the Court to award attorneys' fees of 30% of the Settlement Amount and for expenses up to \$115,000.00, which were incurred in connection with the Litigation, plus interest. Lead Plaintiff may also apply for its time and expenses in representing the Class. If awarded, the cost would be approximately \$0.03 per share. This compensation will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses. To date, Lead Counsel has not received any payment for its services in conducting this Litigation on behalf of the Lead Plaintiff and the Class, nor has counsel been paid for its expenses. The fee requested will compensate Lead Counsel for its work in achieving the Settlement Fund. Lead Counsel believes its requested fee is within the range of fees awarded to

class counsel under similar circumstances in other cases of this type. The Court may award less than this amount.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and expenses.

18. How do I tell the Court that I do not like the Settlement?

If you are a Class Member (and you have not excluded yourself), you can object to the Settlement, the request for attorneys' fees and expenses, or the Plan of Allocation if you do not like any part of it. You can give reasons why you think the Court should not approve the Settlement, the request for attorneys' fees and expenses, or the Plan of Allocation. The Court will consider your views. To object, you must send a signed letter saying that you object to the proposed Settlement in *Phillips v. Triad Guaranty Inc., et al.*, No. 1:09-cv-00071-NCT-JLW. Be sure to include your name, address, telephone number, your signature, the number of shares of Triad common stock you purchased between October 26, 2006 and April 1, 2008, inclusive, and the reasons you object to the Settlement, the requested attorneys' fees and expenses, or the Plan of Allocation. Any such objection must be mailed or delivered such that it is *received* by the following no later than _____, 2015:

Court:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA
324 W. Market Street
Greensboro, NC 27401

Lead Counsel:

JEFFREY D. LIGHT
ROBBINS GELLER RUDMAN & DOWD LLP

655 West Broadway, Suite 1900
San Diego, CA 92101

Defendants' Counsel:

RICHARD A. ROSEN
PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP
1285 Avenue of the Americas
New York, NY 10019

19. What is the difference between objecting and excluding?

Objecting is telling the Court that you do not like something about the proposed Settlement. You can object *only* if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer applies to you.

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the proposed Settlement. You may attend, but you do not have to.

20. When and where will the Court decide whether to approve the Settlement?

The Court will hold a hearing at _____ .m., on _____, 2015, at the United States District Court for the Middle District of North Carolina, 324 W. Market Street, Greensboro, NC 27401. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have asked to speak at the hearing. The Court will also decide whether to approve the payment of fees and expenses to Lead Counsel, whether to approve the expenses of Lead Plaintiff, and whether to approve the Plan of Allocation. We do not know how long the hearing will take or whether the Court will make its decision on the day of the hearing or sometime later.

21. Do I have to come to the hearing?

No. Lead Counsel will answer questions Judge Tilley may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but you are not required to do so.

22. May I speak at the hearing?

You may ask the Court for permission to speak at the hearing. To do so, you must send a letter saying that it is your intention to appear in *Phillips v. Triad Guaranty Inc., et al.*, No. 1:09-cv-00071-NCT-JLW. Be sure to include your name, address, telephone number, your signature, and the number of shares of Triad common stock you purchased between October 26, 2006 and April 1, 2008, inclusive. Your notice of intention to appear must be received no later than _____, 2015 by the Clerk of the Court at the address listed in the Answer to Question 18. You cannot speak at the hearing if you exclude yourself from the Class.

IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will get no money from this Settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants or their Related Parties about the same issues in this case.

GETTING MORE INFORMATION

24. Are there more details about the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation dated October 5, 2015, which has been filed with the Court. You can get a copy of the Stipulation from the Clerk's office at the United States District Court for the Middle District of North Carolina, 324

W. Market Street, Greensboro, NC 27401, during regular business hours, or at www.triadsecuritieslitigation.com, or you can contact a representative of Lead Counsel at the number and address below in the Answer to Question 25.

25. How do I get more information?

For more information about the Settlement or the Litigation, you can call 1-800-449-4900 or write to a representative of Lead Counsel, Rick Nelson, Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, or visit the case specific website at www.triadsecuritieslitigation.com. *Please do not call the Court or the Clerk of the Court for additional information about the Settlement.*

26. Special notice to banks, brokers, and other nominees

If you hold any Triad common stock purchased between October 26, 2006 and April 1, 2008, inclusive, as a nominee for a beneficial owner, then, within seven (7) days after you receive this Notice, you must either: (1) send a copy of this Notice by First-Class Mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

Triad Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the

Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: _____, 2015

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA

EXHIBIT A-2

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA

No. 1:09-cv-00071-NCT-JLW

JAMES L. PHILLIPS, Individually and on	)	<u>CLASS ACTION</u>
Behalf of All Others Similarly Situated,)	
)	
Plaintiff,	)	PROOF OF CLAIM AND RELEASE
)	
vs.	)	EXHIBIT A-2
)	
TRIAD GUARANTY INC., et al.,)	
)	
Defendants.)	
)	
_____)	

I. GENERAL INSTRUCTIONS

1. To recover as a Member of the Class based on your claims in the action entitled *Phillips v. Triad Guaranty Inc., et al.*, No. 1:09-cv-00071-NCT-JLW (the “Litigation”), you must complete and, on page ___ hereof, sign this Proof of Claim and Release form (“Proof of Claim”). If you fail to file a properly addressed (as set forth in paragraph 3 below) Proof of Claim, your claim may be rejected and you may be precluded from any recovery from the Net Settlement Fund created in connection with the Settlement of the Litigation.

2. Submission of this Proof of Claim, however, does not assure that you will share in the proceeds of the Settlement of the Litigation.

3. YOU MUST MAIL OR SUBMIT ONLINE YOUR COMPLETED AND SIGNED PROOF OF CLAIM, ACCOMPANIED BY COPIES OF THE DOCUMENTS REQUESTED HEREIN, ON OR BEFORE _____, 2015, ADDRESSED AS FOLLOWS:

Triad Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040
www.triadsecuritieslitigation.com

If you are NOT a Member of the Class (as defined in the Notice of Proposed Settlement of Class Action (“Notice”)) DO NOT submit a Proof of Claim.

4. If you are a Member of the Class and you did not timely request exclusion, you are bound by the terms of any judgment entered in the Litigation, including the releases provided therein, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM.

II. CLAIMANT IDENTIFICATION

If you purchased Triad Guaranty Inc. (“Triad”) common stock between October 26, 2006 and April 1, 2008, inclusive, and held the certificate(s) in your name, you are the beneficial purchaser as well as the record purchaser. If, however, you purchased Triad common stock and the certificate(s) were registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial purchaser and the third party is the record purchaser.

Use Part I of this form entitled “Claimant Identification” to identify each purchaser of record (“nominee”), if different from the beneficial purchaser of Triad common stock which forms the basis of this claim. THIS CLAIM MUST BE FILED BY THE ACTUAL BENEFICIAL PURCHASER(S) OR THE LEGAL REPRESENTATIVE OF SUCH PURCHASER(S) OF THE TRIAD COMMON STOCK UPON WHICH THIS CLAIM IS BASED.

All joint purchasers must sign this claim. Executors, administrators, guardians, conservators, and trustees must complete and sign this claim on behalf of persons represented by them and their authority must accompany this claim and their titles or capacities must be stated. The Social Security (or taxpayer identification) number and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

III. CLAIM FORM

Use Part II of this form entitled “Schedule of Transactions in Triad Common Stock” to supply all required details of your transaction(s). If you need more space or additional schedules, attach separate sheets giving all of the required information in substantially the same form. Sign and print or type your name on each additional sheet.

On the schedules, provide all of the requested information with respect to *all* of your purchases and *all* of your sales of Triad common stock which took place between October 26, 2006 and June 30, 2008, inclusive, whether such transactions resulted in a profit or a loss. You must also provide all of the requested information with respect to *all* of the shares of Triad common stock you held at the close of trading on October 25, 2006, April 1, 2008, and June 30, 2008. Failure to report all such transactions may result in the rejection of your claim.

List each transaction separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day, and year of each transaction you list.

The date of covering a “short sale” is deemed to be the date of purchase of Triad common stock. The date of a “short sale” is deemed to be the date of sale of Triad common stock.

Copies of broker confirmations or other documentation of your transactions in Triad common stock should be attached to your claim. Failure to provide this documentation could delay verification of your claim or result in rejection of your claim.

NOTICE REGARDING ELECTRONIC FILES: Certain claimants with large numbers of transactions may request, or may be requested, to submit information regarding their transactions in electronic files. All claimants **MUST** submit a manually signed paper Proof of Claim whether or not they also submit electronic copies. If you wish to file your claim electronically, you must contact the Claims Administrator at 1-855-278-2821 to obtain the required file layout. No electronic files will be considered to have been properly submitted unless the Claims Administrator issues to the claimant a written acknowledgment of receipt and acceptance of electronically submitted data.

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA

Phillips v. Triad Guaranty Inc., et al.

No. 1:09-cv-00071-NCT-JLW

PROOF OF CLAIM AND RELEASE

Must Be Postmarked or Received No Later Than:

_____, 2015

Please Type or Print

PART I: CLAIMANT IDENTIFICATION

Beneficial Owner's Name (First, Middle, Last)

Street Address

City

State or Province

Zip Code or Postal Code

Country

Social Security Number or
Taxpayer Identification Number

Individual
Corporation/Other

Area Code

Telephone Number (work)

Area Code

Telephone Number (home)

Record Owner's Name (if different from beneficial owner listed above)

PART II: SCHEDULE OF TRANSACTIONS IN TRIAD COMMON STOCK

A. Purchases (October 26, 2006 – June 30, 2008, inclusive) of Triad common stock:

Trade Date Month Day Year	Number of Shares Purchased	Total Purchase Price
1. _____	1. _____	1. _____
2. _____	2. _____	2. _____
3. _____	3. _____	3. _____

IMPORTANT: If any purchase listed covered a “short sale,” please mark Yes: Yes

B. Sales (October 26, 2006 – June 30, 2008, inclusive) of Triad common stock:

Trade Date Month Day Year	Number of Shares Sold	Total Sales Price
1. _____	1. _____	1. _____
2. _____	2. _____	2. _____
3. _____	3. _____	3. _____

C. Number of shares of Triad common stock held at the close of trading on October 25, 2006: _____

D. Number of shares of Triad common stock held at the close of trading on April 1, 2008: _____

E. Number of shares of Triad common stock held at the close of trading on June 30, 2008: _____

If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.

YOU MUST READ THE RELEASE AND YOUR SIGNATURE ON PAGE __ WILL CONSTITUTE YOUR ACKNOWLEDGMENT OF THE RELEASE.

IV. SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I (We) submit this Proof of Claim under the terms of the Stipulation of Settlement described in the Notice. I (We) also submit to the jurisdiction of the United States District Court for the Middle District of North Carolina with respect to my (our) claim as a Class Member and for purposes of enforcing the release set forth herein. I (We) further acknowledge that I am (we are) bound by and subject to the terms of any judgment that may be entered in the Litigation. I (We) agree to furnish additional information to the Claims Administrator to support this claim if requested to do so. I (We) have not submitted any other claim covering the same purchases of Triad common stock (except in Triad's bankruptcy proceeding) and know of no other person having done so on my (our) behalf.

V. RELEASE

1. I (We) for myself (ourselves) hereby acknowledge full and complete satisfaction of, and do hereby fully, finally, and forever settle, release, and discharge from the Released Claims each and all of the "Released Persons," defined as each and all of the Defendants, and their respective Related Parties.

2. "Released Claims" means any and all claims, debts, demands, disputes, rights, causes of action, suits, matters, damages, losses, or liabilities of any kind, nature, and character whatsoever arising under federal, state, local, statutory, or common law, or any other law, rule or regulation, whether foreign or domestic, based upon, arising out of, or relating to directly or indirectly to both (a) the purchase of Triad common stock during the Class Period, and (b) the acts, facts, circumstances, statements, or omissions that were asserted or could have been asserted by Lead

Plaintiff or any Class Member. It is expressly understood and agreed that Released Claims include Unknown Claims (defined below).

3. “Unknown Claims” means any Released Claims which Lead Plaintiff or any Class Member does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Persons which, if known by him, her, or it, might have affected his, her, or its settlement with and release of the Released Persons, or might have affected his, her, or its decisions with respect to this Settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead Plaintiff shall expressly waive and relinquish, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived and relinquished, the provisions, rights, and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor 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 settlement with the debtor.

Lead Plaintiff shall expressly waive and relinquish, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived and relinquished, any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code §1542. Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiff, upon the Effective Date, shall expressly, fully, finally, and forever settle and release and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and

all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiff acknowledges, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the Settlement of which this release is a part.

4. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

5. I (We) hereby warrant and represent that I (we) have included information about all of my (our) transactions in Triad common stock between October 26, 2006 and June 30, 2008, inclusive, as well as the number of shares of Triad common stock held by me (us) at the close of trading on October 25, 2006, April 1, 2008, and June 30, 2008.

I declare under penalty of perjury under the laws of the United States of America that the foregoing information supplied by the undersigned is true and correct.

Executed this _____ day of _____
(Month/Year)

in _____
(City) (State/Country)

(Sign your name here)

(Type or print your name here)

(Capacity of person(s) signing,
e.g., Beneficial Purchaser,
Executor or Administrator)

**ACCURATE CLAIMS PROCESSING TAKES A
SIGNIFICANT AMOUNT OF TIME.
THANK YOU FOR YOUR PATIENCE.**

Reminder Checklist:

1. Please sign the above release and declaration.
2. Remember to attach copies of supporting documentation, if available.
3. **Do not send** originals of certificates.
4. Keep a copy of your claim form and all supporting documentation for your records.
5. If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.
6. If you move, please send your new address to the address below.
7. **Do not use red pen or highlighter** on the Proof of Claim or supporting documentation.

**THIS PROOF OF CLAIM MUST BE SUBMITTED ONLINE OR, IF MAILED,
POSTMARKED NO LATER THAN _____, 2015, ADDRESSED AS FOLLOWS:**

Triad Securities Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 8040
San Rafael, CA 94912-8040
www.triadsecuritieslitigation.com

EXHIBIT A-3

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA

No. 1:09-cv-00071-NCT-JLW

JAMES L. PHILLIPS, Individually and on	)	<u>CLASS ACTION</u>
Behalf of All Others Similarly Situated,)	
)	
Plaintiff,	)	SUMMARY NOTICE
)	
vs.	)	EXHIBIT A-3
)	
TRIAD GUARANTY INC., et al.,)	
)	
Defendants.)	
)	
_____)	

TO: ALL PERSONS WHO PURCHASED TRIAD GUARANTY INC. (“TRIAD”) COMMON STOCK BETWEEN OCTOBER 26, 2006 AND APRIL 1, 2008, INCLUSIVE

YOU ARE HEREBY NOTIFIED that pursuant to an Order of the United States District Court for the Middle District of North Carolina, a hearing will be held on _____, 2015, at ___:___ __.m., before the Honorable N. Carlton Tilley, Jr., Senior United States District Judge, at the United States District Court for the Middle District of North Carolina, 324 West Market Street, Greensboro, NC 27401, for the purpose of determining: (1) whether the settlement of the Litigation set forth in the Stipulation of Settlement dated October 5, 2015 (“Stipulation” or “Settlement”) for the sum of \$1,600,000 in cash should be approved by the Court as fair, reasonable, and adequate; (2) whether the Plan of Allocation of Settlement proceeds is fair, reasonable, and adequate and therefore should be approved; and (3) the reasonableness of the application of Lead Counsel and Lead Plaintiff for the payment of attorneys’ fees and expenses incurred in connection with this Litigation, together with interest thereon.

If you purchased Triad common stock between October 26, 2006 and April 1, 2008, inclusive, your rights may be affected by this Litigation and the Settlement thereof. If you have not received a detailed Notice of Proposed Settlement of Class Action and a copy of the Proof of Claim and Release form, you may obtain copies by writing to *Triad Securities Litigation*, Claims Administrator, c/o Gilardi & Co. LLC, P.O. Box 8040, San Rafael, CA 94912-8040, by calling toll-free (855) 278-2821, or by downloading this information at www.triadsecuritieslitigation.com. If you are a Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release form by mail or online no later than _____, 2015, establishing that you are entitled to a recovery. You will be bound by any judgment rendered in the

Litigation unless you request to be excluded, in writing, to the above address, postmarked by _____, 2015.

Any objection to the Settlement must be filed with the Clerk of the Court and received by counsel listed below no later than _____, 2015:

ROBBINS GELLER RUDMAN
& DOWD LLP
JEFFREY D. LIGHT
655 West Broadway, Suite 1900
San Diego, CA 92101

Lead Counsel

and

RICHARD A. ROSEN
PAUL, WEISS, RIFKIND, WHARTON
& GARRISON LLP
1285 Avenue of the Americas
New York, NY 10019

Defendants' Counsel

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE.

DATED: _____, 2015

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA

EXHIBIT B

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA

No. 1:09-cv-00071-NCT-JLW

JAMES L. PHILLIPS, Individually and on	)	<u>CLASS ACTION</u>
Behalf of All Others Similarly Situated,)	
)	
Plaintiff,	)	[PROPOSED] FINAL JUDGMENT AND
	)	ORDER OF DISMISSAL WITH PREJUDICE
vs.)	
	)	EXHIBIT B
TRIAD GUARANTY INC., <i>et al.</i> ,)	
)	
Defendants.)	
)	
_____)	

This matter came before the Court for hearing pursuant to an Order of this Court, dated _____, 2015, on the application of the Settling Parties for approval of the Settlement set forth in the Stipulation of Settlement dated October 5, 2015 (the “Stipulation”). Due and adequate notice having been given of the Settlement as required in said Order, and the Court having considered all papers filed and proceedings held herein and otherwise being fully informed in the premises and good cause appearing therefore, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

1. This Final Judgment and Order of Dismissal with Prejudice incorporates by reference the definitions in the Stipulation, and all terms used herein shall have the same meanings set forth in the Stipulation.

2. This Court has jurisdiction over the subject matter of the Litigation and over all parties to the Settlement, including all Members of the Class.

3. The Court hereby finally certifies a Class defined as: “all Persons who purchased Triad common stock between October 26, 2006 and April 1, 2008, inclusive, excluding all Defendants, their families or any trust of which any Defendant is the settler or which is for the benefit of any Defendant’s family. Also excluded from the Class are those Persons who validly and timely request exclusion from the Class.”

4. With respect to the Class, this Court finds for purposes of effectuating this Settlement that (a) the Members of the Class are so numerous that joinder of all Class Members in the Litigation is impracticable; (b) there are questions of law and fact common to the Class which predominate over any individual questions; (c) the claims of the Lead Plaintiff are typical of the claims of the Class; (d) Lead Plaintiff and Lead Counsel have fairly and adequately represented and protected the interests of all of the Class Members; and (e) a class action is superior to other available methods for

the fair and efficient adjudication of the controversy, considering: (i) the interests of the Members of the Class in individually controlling the prosecution of the separate actions; (ii) the extent and nature of any litigation concerning the controversy already commenced by Members of the Class; (iii) the desirability or undesirability of continuing the litigation of these claims in this particular forum; and (iv) the difficulties likely to be encountered in the management of the class action.

5. Except as to any individual claim of those Persons (identified in Exhibit 1 attached hereto) who have validly and timely requested exclusion from the Class, the Litigation, and all of the Released Claims against the Released Persons, are hereby dismissed without costs and with prejudice in full and final discharge of any and all Released Claims belonging to Lead Plaintiff, and the other Members of the Class. The parties are to bear their own costs, except as otherwise provided in the Stipulation.

6. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, this Court hereby approves the Settlement set forth in the Stipulation and finds that said Settlement is, in all respects, fair, reasonable, and adequate, and is in the best interests of the Class, and each of the Class Members. This Court further finds the Settlement set forth in the Stipulation is the result of arm's-length negotiations between experienced counsel representing the interests of the Lead Plaintiff, the Class Members, and the Defendants. Accordingly, the Settlement embodied in the Stipulation is hereby approved in all respects and shall be consummated in accordance with its terms and provisions. The Settling Parties are hereby directed to perform the terms of the Stipulation.

7. Upon the Effective Date, the Lead Plaintiff and every Class Member shall be deemed to have, and by operation of this Judgment shall have (a) fully, finally, and forever waived, released, relinquished, discharged, and dismissed each and every one of the Released Claims against every one of the Released Persons, and (b) covenanted not to sue the Released Persons with respect to all

Released Claims, whether or not such Class Member executes and delivers the Proof of Claim and Release form, and whether or not such Class Member shares in the Settlement Fund. The claims released in this paragraph do not include any claims to enforce or for breaches of the Stipulation.

8. Upon the Effective Date, Lead Plaintiff and every Class Member shall be forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration tribunal, administrative forum, or any other forum, asserting the Released Claims against any of the Released Persons.

9. Upon the Effective Date, each of the Released Persons shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished, and discharged Lead Plaintiff, each and all of the Class Members, Lead Counsel, Liaison Counsel, and Plaintiff's counsel from all claims (including Unknown Claims) arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Litigation or the Released Claims. The claims released in this paragraph do not include any claims to enforce or for breaches of the Stipulation.

10. "Released Persons" means each and all of the Defendants, and their respective Related Parties.

11. Upon the Effective Date, except as provided below, any and all Persons are permanently barred and enjoined, to the fullest extent permitted by law, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to that Person is that Person's actual or threatened liability to a Class or a Class Member in the Litigation) based upon, relating to, arising out of, or in connection with the Released Claims, against Defendants, whether arising under state, federal, common, or foreign law, as claims, cross-claims, counterclaims, or third-party claims, in this Litigation or a separate action, in the

District Court or in any other court, arbitration proceeding, administrative proceeding, or other forum; and except, as provided below, Defendants are permanently barred and enjoined, to the fullest extent permitted by law, from commencing, prosecuting, or asserting any and all claims for contribution or indemnity (or any other claim when the alleged injury to Defendants is that Defendants' actual or threatened liability to the Class or a Class Member in the Litigation) based upon, relating to, or arising out of the Released Claims, against any Person, other than a Person whose liability to the Class has been extinguished pursuant to the Stipulation whether arising under state, federal, common, or foreign law, as claims, cross-claims, counterclaims, or third-party claims, in this Litigation or a separate action, in this Court or in any other court, arbitration proceeding, administrative proceeding, or other forum. Nothing in this Bar Order or Stipulation shall release any Proofs of Claim that any Defendant has filed in the Triad bankruptcy.

12. Any final verdict or judgment that may be obtained by or on behalf of the Class or any Class Member against any Person subject to the Bar Order described in ¶11 shall be reduced by the greater of (a) an amount that corresponds to the percentage of responsibility of any settlement defendant in this Litigation for common damages, or (b) the Settlement Amount.

13. Notwithstanding the Bar Order described in ¶10, nothing in the Stipulation shall bar any action by Lead Plaintiff or Defendants to enforce or effectuate the terms of the Settlement, the Stipulation, or the order of the District Court approving the Stipulation.

14. The distribution of the Notice of Proposed Settlement of Class Action, and the publication of the Summary Notice as provided for in the Preliminary Approval Order constituted the best notice practicable under the circumstances, including individual notice to all Members of the Class who could be identified through reasonable effort. Said notice provided the best notice practicable under the circumstances of those proceedings and of the matters set forth therein,

including the Settlement set forth in the Stipulation, to all Persons entitled to such notice, and said notice fully satisfied the requirements of Federal Rule of Civil Procedure 23, the requirements of due process, and any other applicable law.

15. Any plan of allocation submitted by Lead Counsel or any order entered regarding the attorneys' fee and expense application shall in no way disturb or affect this Judgment and shall be considered separate from this Judgment.

16. Neither the Stipulation nor the Settlement contained therein, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be deemed to be or may be used in the Litigation or any other proceeding, whether civil, criminal, or administrative, as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of any of the Released Persons; or (b) is or may be deemed to be or may be used in the Litigation or any other proceeding, whether civil, criminal, or administrative, as an admission of, or evidence of, any fault, misrepresentation, omission, or violation of law by any of the Released Persons; or (c) is or may be deemed to be or may be used as an admission or evidence that any claims asserted by Lead Plaintiff was valid, in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. The Released Persons may file the Stipulation and/or this Judgment in any action that may be brought against them in order to support a defense or counterclaim based on 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 or counterclaim.

17. Without affecting the finality of this Judgment in any way, this Court hereby retains continuing jurisdiction over (a) implementation of this Settlement and any award or distribution of the Settlement Fund, including interest earned thereon; (b) disposition of the Settlement Fund;

(c) hearing and determining applications for attorneys' fees and expenses in the Litigation; and (d) all parties hereto for the purpose of construing, enforcing, and administering the Stipulation and/or the Settlement.

18. The Court finds that during the course of the Litigation, the Settling Parties and their respective counsel at all times complied with and satisfied the requirements of Federal Rule of Civil Procedure 11.

19. In the event that the Settlement does not become effective in accordance with the terms of the Stipulation or the Effective Date does not occur, or in the event that the Settlement Fund, or any portion thereof, is returned pursuant to the terms of the Stipulation to such Person(s) that paid the Settlement Amount, then this Judgment shall be rendered null and void to the extent provided by and in accordance with the Stipulation and shall be vacated and, in such event, all orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Stipulation.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE N. CARLTON TILLEY, JR.
SENIOR UNITED STATES DISTRICT JUDGE