

5. In February of 2005, CAPCO entered into a contract with Ambac Assurance Corporation and Assured Guaranty Corporation under which Ambac and Assured Guaranty Corporation assumed some of the risk that CAPCO would have to pay for claims made under the terms of the bonds. These two companies indemnified CAPCO for its losses if claims under the bonds exceeded certain amounts. A copy of this contract as amended and agreed to on February 15, 2007 is attached as *Exhibit 1*.

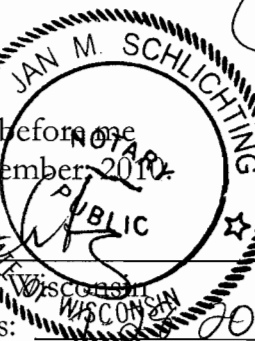
6. All of the outstanding bonds issued by CAPCO expired not later than February of 2009. No claims have been made against CAPCO at any time, and none can be made except possibly under bonds issued to Lehman Brothers Inc. and Lehman Brothers International (Europe). Because insolvency proceedings were commenced against these two entities prior to the expiration of the relevant bonds, a customer of those firms may have a claim as a beneficiary under the bonds.

7. Several things must happen before a customer can make a claim under the bonds, including the resolution of the complicated Lehman Brothers bankruptcy proceedings. It is likely to be at least several years before CAPCO can determine whether it has any claim against Ambac under the terms of its reinsurance contract.

8. Based on conversations with counsel for the Wisconsin Office of the Insurance Commissioner and related email correspondence, it is my understanding that the CAPCO contract was placed in the Segregated Account based on the Commissioner's interpretation of Wis. Stat. § 645.68, that is, the Commissioner's conclusion that a reinsurance contract claim is not a Loss Claim under subsection (3), but rather falls under the "Residual Classification" of subsection (5).

Subscribed and sworn before me
this 9th day of November, 2011.

Notary Public, State of Wisconsin
My commission expires: 2013





John Franke

**AMENDED AND RESTATED
EXCESS SIPC SURETY BOND EXCESS OF LOSS REINSURANCE CONTRACT**

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**AMENDED AND RESTATED EXCESS SIPC SURETY BOND EXCESS OF LOSS
REINSURANCE CONTRACT**

(hereinafter referred to as the "Contract")

Customer Asset Protection Company

(hereinafter referred to as the "Company")

and

The Subscribing Reinsurers specified in the
Interests and Liabilities Agreement(s) attaching to and forming a part of this Contract

(each hereinafter referred to as a "Reinsurer")

THIRD PARTY RIGHTS

This Contract is solely between the Company and the Reinsurers, and in no instance shall any other party have any rights under this Contract except as expressly provided otherwise in the Insolvency Article. This Contract, dated as of February 14, 2007, amends and restates in its entirety the Excess SIPC Surety Bond Excess of Loss Reinsurance Contract among the parties hereto effective as of February 16, 2005.

ARTICLE 1

BUSINESS AND TERRITORY COVERED

Business covered hereunder shall include only Surety Bonds written by the Company with effective dates on or after February 16, 2005, on the prescribed forms attached (Exhibits A and B)(hereinafter referred to as "Surety Bonds"), that have been specially accepted hereunder in writing by the Lead Reinsurer and covering broker/dealer subsidiaries (hereinafter referred to as "Principals") of firms (hereinafter referred to as "Firms") in the United States of America, its territories and possessions, the Commonwealth of Puerto Rico, the District of Columbia, and the United Kingdom.

This Contract is to indemnify the Company for Losses Occurring (as defined below) and sustained by it in respect of Surety Bonds (as defined below), and Loss Adjustment Expenses (as defined in Article 6 hereof) in connection therewith, in excess of the Company's Retention (as set forth in Article 4 hereof), net of other reinsurance, subject to the exclusions hereunder and subject to the Reinsurers' Annual Aggregate Limit (as defined in Article 4) hereunder.

The term "Losses Occurring" shall mean an event which triggers coverage under paragraph A. Coverage of the Company's Excess SIPC Surety Bond applicable to Principals located in the

United States (the form of which is attached as Exhibit A to this Contract) or under paragraph B. Coverage of the Company's Excess FSCS Surety Bond applicable to Principals located in the United Kingdom (the form of which is attached as Exhibit B to this Contract).

The term "Lead Reinsurer" as used herein shall mean Ambac Assurance Corporation.

ARTICLE 2

SPECIAL ACCEPTANCE PROCEDURES

The Company shall notify all Reinsurers of any entity that applies for a Surety Bond (hereinafter referred to as "Applicant"). The Company shall provide to the Lead Reinsurer an underwriting submission, in writing, in connection with each Applicant. The Company is required to ensure that the following information is submitted to the Lead Reinsurer, and, upon request, to any other Reinsurer:

- (i) Underwriting questionnaire (Exhibit C);
- (ii) Most Recent FOCUS Report, Part II;
- (iii) Applicant account stratification, if not included in Exhibit C, in the format set forth in Exhibit C;
- (iv) Most recent New York Stock Exchange exam and Management's Response;
- (v) Applicable outside assessments, e.g., auditor reports, CPA letters in accordance with engagement letters and applicable regulatory standards; and
- (vi) Other information as reasonably requested.

Upon completion of its review of an underwriting submission, the Lead Reinsurer shall provide the other Reinsurers with summary underwriting information (hereinafter referred to as "Summary Information") in a format consistent with the Lead Reinsurer's internal underwriting processes.

The Lead Reinsurer may, in its sole discretion, accept or decline such business for reinsurance hereunder. Acceptance of such business for reinsurance hereunder (hereinafter referred to as "Special Acceptance") shall be binding upon all Reinsurers hereunder, unless any Reinsurer shall, within ten (10) Business Days of submission of the Summary Information by the Lead Reinsurer to the other Reinsurers, inform the Lead Reinsurer in writing that it declines to accept such business for reinsurance hereunder. In the event that a Reinsurer declines to accept such business for reinsurance hereunder, the remaining Reinsurers will have the right of first refusal to replace such Reinsurer for the remaining term of this Contract. In the event that a Reinsurer is replaced, said Reinsurer shall be obligated to return a pro-rata portion of the Annual Contract Premium paid to it by the Company within ten (10) business days of the effective date of its replacement. Special Acceptance by the Lead Reinsurer in writing shall be communicated to the Company within a reasonable period of time following receipt of a complete underwriting submission, and shall be subject to all terms and conditions of this Contract except as modified by the Special Acceptance. As used in this Article, the term "Business Days" shall mean any day that is a business day in New York City.

This Contract shall not cover business that is not approved by the Lead Reinsurer for Special Acceptance hereunder.

EXCLUSIONS

This Contract does not cover:

Extra Contractual Obligations, unless such obligations arise solely as a result of a Reinsurer's action or inaction. The term "Extra Contractual Obligation(s)" is defined as all liabilities or obligations, other than those arising under the express terms and within the express limits of the Surety Bonds, whether to Principals, governmental agencies or other persons, which liabilities shall include, without limitation, any liability for punitive, exemplary, special or any other form of extra-contractual damages relating to the Surety Bonds which arises from any act, error or omission, whether or not intentional, in bad faith or otherwise, including, without limitation, any act, error or omission relating to (i) the investigation, coverage analysis, defense, trial, appeal, settlement or handling of claims or payments arising out of or relating to the Surety Bonds or (ii) the failure to pay or the delay in payment of claims or any other amounts due or alleged to be due under or in connection with the Surety Bonds.

ADDITIONAL DUTIES

1. The Lead Reinsurer shall (a) independently, retrospectively and prospectively evaluate financial, credit, operational and management risk elements of Applicants and Principals; and (b) meet with Applicant's or Principal's financial management or alternative representatives as the Lead Reinsurer deems necessary, including, but not limited to, conducting follow-up meetings and conference calls, as may be necessary. This condition shall apply only to new Applicants and to Firms that are unrated or below "A3"/"A-" according to Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"). However the Lead Reinsurer reserves the right to request a meeting with any Applicant's or Principal's risk manager or alternative representative as the Lead Reinsurer deems necessary. Upon the written request of a Reinsurer, the Lead Reinsurer will share the results of its review with such Reinsurer in a format consistent with the Lead Reinsurer's internal underwriting processes.

2. For each subsequent annual period, the Company shall (a) require underwriting data, as described in the Underwriting questionnaire (Exhibit C), to be submitted in a timely fashion to the Reinsurers, by November 7th of each annual period covered under this Contract, for each Principal that has received a Surety Bond from the Company; and (b) obtain and maintain necessary indemnity agreements (Exhibits D and E) and provide copies to the Reinsurers upon request. The Lead Reinsurer shall advise the Company in writing, by December 15th whether reinsurance coverage for each Principal previously insured under a Surety Bond reinsured hereunder will receive renewal reinsurance coverage for the next annual period during the Term of this Contract. Acceptance by the Lead Reinsurer of such business for reinsurance hereunder shall be binding upon all Reinsurers hereunder, unless any Reinsurer shall, by December 1st, inform the Lead Reinsurer in writing that it declines to accept such business for reinsurance

hereunder. The aforementioned deadlines of December 15th and December 1st, respectively, will be extended by one calendar day for each and every calendar day after November 7th that the Company does not provide the complete underwriting data to the Lead Reinsurer and other Reinsurers, as required under clause (a) of the first sentence of this paragraph. In the event that a Reinsurer declines to accept such business for reinsurance hereunder, the remaining Reinsurers will have the right of first refusal to replace such Reinsurer for the remaining term of this Contract. In the event a Reinsurer is replaced, said Reinsurer shall be obligated to return a pro-rata portion of the Annual Contract Premium paid to it by the Company within ten (10) business days of the effective date of its replacement. Written confirmation of such renewal reinsurance coverage from the Lead Reinsurer to the Company shall provide binding coverage hereunder, unless there is a material adverse change related to any Principal during the period from the date of the Lead Reinsurer's confirmation until the February 16th renewal date; provided, however, if a material adverse change occurs only with respect to a particular insured Principal or Principals, renewal reinsurance coverage for such next annual period with respect to any remaining Principal or Principals shall continue to be binding coverage hereunder.

ARTICLE 3

TERM AND TERMINATION

This Contract was effective for the period beginning 12:01 A.M., Eastern Standard Time February 16, 2005 and shall apply to Surety Bonds becoming effective, and Losses Occurring thereunder during the period from 12:01 A.M., Eastern Standard Time, February 16, 2005 to 12:01 A.M., Eastern Standard Time February 16, 2010 (the "Term"). If this Contract is extended pursuant to the next succeeding paragraph, the Term shall be extended accordingly.

The Term of this Contract shall automatically extend for one additional year on each anniversary of the date hereof (such that the Term ends three years after each such anniversary) unless either the Lead Reinsurer or the Company gives its written notice prior to such anniversary of its desire not to extend the Term beyond the then-current Term.

A Reinsurer may terminate this Contract immediately on a run-off basis if there are no Losses Occurring, in the event that the Company's surplus, as calculated in the Company's quarterly financial statements, falls below \$70,000,000 and the Company cannot cure this condition within sixty (60) days from the end of the quarter.

Unless waived in writing by the Lead Reinsurer, this Contract shall terminate automatically on a run-off basis if the Company does not deliver a letter to the Lead Reinsurer confirming that, to the best of the knowledge of the President of the Company, during the previous annual period of the Term of this Contract 1) SIPC has not filed an application for a decree in accordance with Section 5(a) of SIPA against any Principal located in the United States and 2) that, with respect to any Principal located in the United Kingdom, no Trigger Event, as that term is defined in the Excess FSCS Surety Bond, has occurred. Such letter shall be delivered to the Lead Reinsurer prior to the close of business on each February 15th during the Term of this Contract, beginning February 15, 2006.

ARTICLE 4

LIMIT AND RETENTION

The Reinsurers shall not be liable hereunder until the Ultimate Net Loss of the Company exceeds \$75,000,000 for all Losses Occurring during the Term of this Contract (hereinafter referred to as "Company Retention"). The Reinsurers' aggregate limit of liability for each annual period during the Term of this Contract (hereinafter referred to as "Annual Aggregate Limit") shall be \$240,000,000 for all Losses Occurring and all Loss Adjustment Expenses incurred during each such annual period. The Reinsurers' Annual Aggregate Limit for each such annual period may, however, be increased, by written endorsement in accordance with Article 23 hereof, up to \$300,000,000 for all Losses Occurring and all Loss Adjustment Expenses incurred during each such annual period.

The Reinsurers' percentage participation in all Losses Occurring and all Loss Adjustment Expenses shall be as set forth on the Interest and Liabilities Agreement(s) attached to and forming part of this Contract (hereinafter referred to as "Percentage Participation"). However, for any increase in the Annual Aggregate Limit above \$240,000,000 but under \$246,000,000, the Reinsurers shall share equally in the amount of any such increase and the Percentage Participation shall be recalculated as specified in the Interests and Liabilities Agreement, until such time as the Lead Reinsurer's Percentage Participation has been reduced to a level of 65%, and such Percentage Participation shall remain at such level until the expiration of the Contract.

The Reinsurers' obligations under this Contract are several and not joint and are limited solely to the extent of their individual Percentage Participation as listed in the Interests and Liabilities Agreement(s) attaching to and forming a part of this Contract. No Reinsurer shall be responsible for the Percentage Participation of any other Reinsurer who for any reason does not satisfy all or part of its obligations.

ARTICLE 5

PREMIUM

In consideration of the coverage provided hereunder, the Company shall pay an annual contract premium to the Reinsurers (hereinafter referred to as "Annual Contract Premium") and rating agency fees to Standard & Poors Ratings Services and/or Moody's Investors Service, Inc.

1. Annual Contract Premium

The Annual Contract Premium shall be the product obtained by multiplying 400 basis points per annum (the "Contract Premium Rate") by the Annual Aggregate Limit (which for the purposes of calculating the premium shall be no less than \$185,000,000).

2. Rating Agency Fees

Regardless of the Annual Aggregate Limit, the maximum amount of Rating Agency Fees for each of the annual periods under this contract shall be \$25,000. The Company shall not be required to pay any additional rating agency fees above \$25,000.

3. With regard to paragraphs 1 and 2 above, the Annual Contract Premium and any applicable rating agency fees shall be payable annually in advance on each February 16, beginning on February 16, 2007. In the event that the Annual Aggregate Limit is increased above the initial limit of \$240,000,000 on a date other than February 16, an incremental premium shall be payable to the Reinsurers (hereinafter referred to a "Incremental Contract Premium"). The Incremental Contract Premium shall equal the Contract Premium Rate multiplied by the increase in the amount of the Annual Aggregate Limit and shall be payable by the Company on the effective date of the increase. Except as outlined in Article 25 hereof, the Annual Contract Premium shall be fully earned on inception of this Contract.

4. If more than fifteen (15) Firms are afforded Surety Bonds during the Term, an additional premium shall be payable to the Reinsurers (hereinafter referred to as "Additional Contract Premium"). The Additional Contract Premium will equal the then Annual Aggregate Limit multiplied by 20 basis points per annum for each additional Firm until the total number of Firms equal 20, and by an additional 40 basis points per annum for each Firm in excess of 20 but not more than 25 Firms (such increased premium rate hereinafter referred to as "Additional Contract Premium Rate"). The Additional Contract Premium Rate for each additional Firm beyond the 25th Firm will be negotiated at the time such additional Firm is proposed to be afforded a Surety Bond. The Additional Contract Premium shall be prorated as to the number of days a Surety Bond is in effect for each respective additional Firm. The Additional Contract Premium due to the Reinsurers shall be payable on the date a Surety Bond is effective for the related additional Firm.

ARTICLE 6

ULTIMATE NET LOSS

The term "Ultimate Net Loss" shall mean the actual loss (excluding Extra Contractual Obligations, unless such obligations arise solely as a result of a Reinsurer's action or inaction) and Loss Adjustment Expenses, paid by the Company on its net retained liability, after making deductions for all other reinsurance which inures to the benefit of the Reinsurers under this Contract, whether collectible or not, and after deductions for all salvages, subrogations and recoveries; provided, however, that in the event of the insolvency of the Company, payment by the Reinsurers shall be made to the Company or its liquidator, receiver, conservator or statutory successor in accordance with the provisions of the Insolvency Article.

The term "Loss Adjustment Expense(s)" shall mean all expenditures by the Company made in connection with the disposition of a claim, loss or legal proceeding including expenses of salvage and subrogation, legal expenses of litigation, Declaratory Judgment Expenses, investigation, negotiation, cost of bonds, and court costs. "Declaratory Judgment Expenses" shall mean expenses resulting from actions brought by any party to determine the Company's

defense and/or indemnification obligations that are allocable to specific Surety Bonds or claims subject to this Contract. Loss Adjustment Expense shall not include the Company's office expenses and payments to salaried employees of the Company.

In the event that there is no loss paid by the Company, but rather only Loss Adjustment Expense as defined in the preceding paragraph, such Loss Adjustment Expense shall be considered loss, and the Reinsurers shall be obligated to pay its share of such loss in excess of the applicable Company Retention.

All salvages, recoveries or payments recovered or received subsequent to loss settlement hereunder shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto.

Nothing in this clause shall be construed to mean that losses are not recoverable hereunder until the Company's Ultimate Net Loss has been finally ascertained, provided that the Company's Ultimate Net Loss exceeds \$75,000,000 for all Losses Occurring during the Term of this Contract.

ARTICLE 7

NET RETAINED LINES

This Contract applies only to that portion of any loss that the Company retains net for its own account, and in calculating the amount of any loss hereunder and also in computing the amount or amounts in excess of which this Contract attaches, only loss or losses in respect of that portion of any loss which the Company retains net for its own account shall be included.

The amount of a Reinsurer's liability hereunder in respect of any loss or losses shall not be increased by reason of the inability of the Company to collect from any other reinsurer(s), whether specific or general, any amounts that may have become due from such reinsurer(s), whether such inability arises from the insolvency of such other reinsurer(s) or otherwise.

ARTICLE 8

WARRANTY

The Company warrants that it will write no business other than Surety Bonds on the prescribed forms (Exhibits A and B) attached.

ARTICLE 9

NOTICE OF LOSS AND LOSS SETTLEMENTS

- A. In the event that the SIPC files an application for decree in accordance with Section 5(a) of SIPA with respect to a Principal, or a similar proceeding is commenced with respect to a Principal located in the United Kingdom, the Company shall give notice immediately to the Reinsurers and the Company shall keep the Reinsurers advised of all subsequent developments in connection therewith.
- B. The Company has the obligation and duty to investigate and defend claims or suits affecting this reinsurance and to pursue such claims or lawsuits to a final determination. While the Reinsurers do not undertake to investigate or defend claims or suits affecting this reinsurance, the Lead Reinsurer, on behalf of each Reinsurer shall nevertheless have the right and shall be given the opportunity, at the Lead Reinsurer's request, with the full cooperation of the Company, to become associated with or to appoint counsel at the Lead Reinsurer's expense and to become associated with the Company and the Company's representatives in the defense of any actions relating to the reinsurance and to participate in making the determination regarding whether payment is due under a Surety Bond reinsured hereunder.
- C. Amounts payable by the Reinsurers shall be payable to the Company by the Reinsurers within ten (10) days of the Reinsurers' receipt of satisfactory proof of loss.

ARTICLE 10

SALVAGE AND SUBROGATION

- A. The Reinsurers shall be subrogated, as respects any loss for which the Reinsurers shall actually pay or become liable to pay, but only to the extent of the amount of payment by or the amount of liability of the Reinsurers, to all the rights of the Company against any person or other entity who may be legally responsible in damages for said loss.

The Company shall reasonably enforce its rights to salvage and subrogation relating to any loss, a part of which loss was sustained by the Reinsurers, and to reasonably prosecute all claims arising out of those rights.

- B. Any recoveries, salvages or reimbursements applying to risks covered under this Contract shall be shared by the Company and the Reinsurers proportionately, based on their respective loss payments.
- C. In the event that there are any recoveries, salvages or reimbursements subsequent to a loss settlement, it is agreed that if the expenses incurred in obtaining salvage or other recoveries are less than the amount recovered, such expenses shall be borne by each party in the proportion that each party benefits from the recoveries. If the expenses incurred in obtaining salvage or other recoveries are greater than the amount recovered, the salvage or

other recoveries shall first be applied to the reimbursement of the expense of recovery and the remaining expense shall be borne by the Company and the Reinsurers in proportion to the liability of each party for the loss before such recovery had been obtained. Expenses hereunder shall exclude all office expenses of the Company and all salaries and expenses of its officials and employees.

ARTICLE 11

OFFSET

Each party hereto shall have, and may exercise at any time and from time to time, the right to offset any undisputed balance or balances, whether on account of premiums or on account of losses or otherwise, due from such party to the other (or, if more than one, any other) party hereto under this Contract and may offset the same against any undisputed balance or balances due to the former from the latter under the same, and the party asserting the right of offset shall have and may exercise such right whether the undisputed balance or balances due to such party from the other are on account of premiums or on account of losses or otherwise and regardless of the capacity, whether as assuming insurer or as ceding insurer, in which each party acted under the Contract, provided, however, that, in the event of the insolvency of a party hereto, offsets shall only be allowed in accordance with the provisions of Section 7427 of the Insurance Law of the State of New York.

ARTICLE 12

CURRENCY

Wherever the word "Dollars" or the "\$" sign appears in this Contract, it shall be construed to mean United States Dollars. All payments made by any party to this Contract shall be made in United States Dollars.

ARTICLE 13

FEDERAL TERRORISM RISK INSURANCE EXCESS RECOVERY CLAUSE

As respects the "Insured Losses" covered by this Contract and recoverable by the Company under the Federal Terrorism Risk Insurance Act of 2002, as amended by the Terrorism Risk Insurance Extension Act of 2005 and any subsequent amendment thereof ("Act"), it is hereby agreed that to the extent the Company's total reinsurance recoverable for business covered by this Contract for "Insured Losses" combined with the financial assistance available to the Company under the Act exceeds the aggregate amount of "Insured Losses" arising out of business covered by this Contract paid by the Company, less any other recoveries or reimbursements, such excess amounts shall be paid to the Reinsurers. The payment of excess amounts to the Reinsurers shall be deemed to be an amount equal to the proportion that the

Reinsurers' payment of "Insured Losses" under this Contract bears to the Company's total collected reinsurance recoverable for "Insured Losses".

As used in this Article, "Insured Losses" has the same meaning as the term is defined in Section 102 of the Act or any regulations promulgated thereunder.

ARTICLE 14

TAX

In consideration of the terms under which this Contract is issued, the Company agrees not to claim any deduction of the premium hereon when making tax returns, other than Income or Profits Tax returns, to any State or Territory of the United States or to the District of Columbia.

ARTICLE 15

FEDERAL EXCISE TAX

(Federal Excise Tax applies only to those Reinsurers, excepting Underwriters at Lloyds and other Reinsurers exempt from Federal Excise Tax, who are domiciled outside the United States of America).

- A. The Reinsurers have agreed to allow for the purpose of paying the Federal Excise Tax 1% of the premium payable hereon to the extent such premium is subject to Federal Excise Tax.
- B. In the event of any return of premium becoming due hereunder, the Reinsurers will deduct the applicable percentage from the amount of the return and the Company or its agent should take steps to recover the Tax from the United States Government.
- C. This Article shall survive the termination or expiration of this Contract.

ARTICLE 16

ACCESS TO RECORDS

The Reinsurers or their duly designated representative(s) shall have access to the books and records of the Company at all reasonable times for the purpose of obtaining information concerning this Contract or the subject matter hereof.

ARTICLE 17

INSOLVENCY

In the event of the insolvency of the Company, this reinsurance shall be payable directly to the Company, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the Company without diminution because of the insolvency of the Company or because the liquidator, receiver, conservator or statutory successor of the Company has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of the Company shall give written notice to the Reinsurers of the pendency of a claim against the Company indicating the Surety Bond reinsured, which claim would involve a possible liability on the part of the Reinsurers within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership, and that during the pendency of such claim, the Reinsurers may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses that it may deem available to the Company or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by the Reinsurers shall be chargeable, subject to the approval of the court, against the Company as part of the expense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurers.

Where two or more Reinsurers are involved in the same claim and a majority in interest elect to interpose a defense to such claim, the expense shall be apportioned in accordance with the terms of this Contract as though such expense had been incurred by the Company.

As to all reinsurance made, ceded, renewed or otherwise becoming effective under this Contract, the reinsurance shall be payable as set forth above by the Reinsurers to the Company or to its liquidator, receiver, conservator or statutory successor, except (1) where the Contract specifically provides another payee in the event of the insolvency of the Company, or (2) where the Reinsurers, with the consent of the direct insured or insureds, have assumed such Surety Bond obligations of the Company as direct obligations of the Reinsurers to the payees under such bonds and in substitution for the obligations of the Company to such payees. Then, and in that event only, the Company, with the prior approval of the certificate of assumption on Vermont risks by the Commissioner of the Vermont Department of Banking, Insurance, Securities and Health Care Administration, shall be entirely released from its obligation and the Reinsurers shall pay any loss directly to payees under such Surety Bond

ARTICLE 18

ARBITRATION

- A. All disputes or differences arising out of the interpretation of this Contract shall be submitted to the decision of two arbitrators, one to be chosen by each party and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be disinterested active or retired executive

officials of commercial insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one month after being required by the other party in writing to do so, or if the arbitrators fail to appoint an umpire within one month of a request in writing by either of them to do so, such arbitrator or umpire, as the case may be, shall, at the request of either party, be appointed by a Justice of the Supreme Court of the State of New York.

- B. The arbitration proceeding shall take place in New York, New York. The applicant shall submit its case within one month after the appointment of the court of arbitration, and the respondent shall submit its reply within one month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law; however, punitive damages shall not be awarded. They shall settle any dispute under the Contract according to an equitable rather than a strictly legal interpretation of its terms.
- C. Their written decision shall be provided to both parties and shall be final and not subject to appeal.
- D. Each party shall bear the expenses of its arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.
- E. This Article shall survive the termination of this Contract.

ARTICLE 19

SERVICE OF SUIT

(Applicable only to Reinsurers domiciled outside of the United States of America)

This Article shall not be read to conflict with or override the obligations of the parties to arbitrate their disputes as provided for in the Arbitration Article. This Article is intended as an aid to compelling arbitration or enforcing such arbitration or arbitral award, not as an alternative to the Arbitration Article for resolving disputes arising out of this Contract.

In the event of the failure of a Reinsurer hereon to pay any amount claimed to be due hereunder, such Reinsurer, at the request of the Company, will submit to the jurisdiction of any state or federal court of competent jurisdiction within the State of New York, and will comply with all requirements necessary to give such court jurisdiction, and all matters hereunder shall be determined in accordance with the law and practice of such court.

It is further agreed that service of process in such suit may be made upon the relevant Reinsurer(s) at the following address(es):

General Counsel
Ambac Assurance Corporation

One State Street Plaza
New York, NY 10004

General Counsel
Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019

and that in any suit instituted, the Reinsurers will abide by the final decision of the court or of any appellate court in the event of an appeal.

The above-named are authorized and directed to accept service of process on behalf of the Reinsurers in any such suit and/or upon the request of the Company to give a written undertaking to the Company that they will enter a general appearance upon the Reinsurers' behalf in the event such a suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefor, the Reinsurers hereon hereby designates the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Company or any beneficiary hereunder arising out of this Contract, and hereby designates the above-named as the firm to whom the said officer is authorized to mail such process or true copy thereof.

ARTICLE 20

SEVERABILITY

In the event any provision of this Contract shall be declared illegal, invalid or unenforceable by any regulatory body or court having jurisdiction over this Contract, such provision shall be considered void in such jurisdiction but this shall not affect the validity or enforceability of any other provision of this Contract or the enforceability of such provision in any other jurisdiction.

ARTICLE 21

CONFIDENTIALITY

Notwithstanding anything to the contrary contained in this Contract, all terms and conditions of this Contract and any materials or information provided in the course of the placement or renewal of this reinsurance, or inspection pursuant to the Access to Records Article, shall be subject to and governed by the same terms and conditions of the Confidentiality Agreements between the Lead Reinsurer and each of the subscribing Reinsurers, on the one hand, and Mercer Risk, Finance & Insurance Consulting, Inc., on the other hand.

Notwithstanding anything to the contrary contained in this Agreement, all persons may disclose to any and all persons, without limitations of any kind, the U.S. federal, state and local tax treatment of this Agreement, any fact that may be relevant to understanding the U.S. federal, state and local tax treatment of this Agreement, and all materials of any kind (including opinions or other tax analyses) relating to such U.S. federal, state and local tax treatment and that may be relevant to understanding such U.S. federal, state and local tax treatment.

ARTICLE 22

APPLICABLE LAW

This Contract shall be governed by and construed in accordance with the laws of the State of New York.

ARTICLE 23

ENTIRE CONTRACT

This Contract embodies the entire contract between the parties as to the subject matter hereof. No waiver, modification, variation, change or amendment to this Contract will be binding on either party unless reduced to writing and signed by a duly authorized officer of each party.

ARTICLE 24

INTERMEDIARY

Marsh, USA Inc. is hereby recognized as the intermediary negotiating this Contract for all business hereunder.

ARTICLE 25

REPLACEMENT OF REINSURERS UPON RATINGS DOWNGRADE

The Company shall have the right to replace any Reinsurer if the Reinsurer is downgraded more than two ratings levels by either Moody's or S&P from the Reinsurer's rating at the time this Contract becomes effective. The remaining Reinsurers will have the right of first refusal to replace such Reinsurer for the remaining term of this Contract. In the event a Reinsurer is replaced, said Reinsurer shall be obligated to return a pro-rata portion of the Annual Contract Premium paid to it by the Company within ten (10) business days of the effective date of its replacement.

**INTEREST AND LIABILITIES AGREEMENT
 ATTACHING TO AND FORMING A PART OF
 EXCESS SIPC SURETY BOND EXCESS OF LOSS
 REINSURANCE CONTRACT**

Total Annual Aggregate Limit	Ambac		Assured	
	Percentage Participation	Share of Limit	Percentage Participation	Share of Limit
\$185,000,000	70%	\$129,500,000	30%	\$55,500,000
Above \$185,000,000 up to \$246,000,000	Calculated per Formula C below	Calculated per Formula A below	Calculated per Formula D below	Calculated per Formula B below
\$246,000,000 up to \$300,000,000	65%		35%	

Formula A: Ambac's Share of Limit = \$129,500,00 + .5 x (Total Annual Aggregate Limit - \$185,000,000)

Formula B: Assured's Share of Limit = \$55,500,000 + .5 x (Total Annual Aggregate Limit - \$185,000,000)

Formula C: Ambac's Percentage Participation = 100 x (Ambac's Share of Limit / Total Annual Aggregate Limit)

Formula D: Assured's Percentage Participation = 100 x (Assured's Share of Limit / Total Annual Aggregate Limit)

Ambac Assurance Corporation (the "Lead Reinsurer")

By: _____

Date: _____

Assured Guaranty Corp.

By: Samuel S. Powell, MD

Date: 2-15-2007

**INTEREST AND LIABILITIES AGREEMENT
 ATTACHING TO AND FORMING A PART OF
 EXCESS SIPC SURETY BOND EXCESS OF LOSS
 REINSURANCE CONTRACT**

Total Annual Aggregate Limit	Ambac		Assured	
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Formula C: Ambac's Percentage Participation = 100 x (Ambac's Share of Limit / Total Annual Aggregate Limit)

Formula D: Assured's Percentage Participation = 100 x (Assured's Share of Limit / Total Annual Aggregate Limit)

Ambac Assurance Corporation (the "Lead Reinsurer")

By: 

**Graham R. Nelson
 First Vice President**

Date: 2-15-07

Assured Guaranty Corp.

By: _____

Date: _____