

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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

**DECLARATION OF WILLIAM T. RATLIFF, III IN SUPPORT
OF DEBTOR’S APPLICATION FOR ENTRY OF AN
ORDER AUTHORIZING EMPLOYMENT AND RETENTION
OF MORRISON & FOERSTER LLP AS SPECIAL COUNSEL TO
DEBTOR PURSUANT TO 11 U.S.C. §§ 327(e) AND 329(a)**

I, William T. Ratliff, III, being duly sworn, depose and say:

1. I am the Chairman, President, and Chief Executive Officer of Triad Guaranty Inc. (the “Debtor”), a corporation organized under the laws of the state of Delaware, the debtor and debtor-in-possession in the above-captioned chapter 11 case (the “Chapter 11 Case”). I am authorized to submit this declaration, on behalf of the Debtor, in support of the Debtor’s Application for Entry of an Order Authorizing Employment and Retention of Morrison & Foerster LLP as Special to Debtor Pursuant to 11 U.S.C. §§ 327(e) and 329(a) (the “Application”).²

2. As Chairman, President and Chief Executive Officer of the Debtor, I am one of the persons responsible for devising and implementing the Debtor’s

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

² Capitalized terms not otherwise defined herein have the meanings ascribed to such terms in the Application.

business plan and strategies, overseeing the Debtor's financial and legal affairs and supervising the maintenance of its books and records. As a result of my tenure with the Debtor, my review of public and non-public documents, and my discussions with the other director and Debtor representatives, I am familiar with the Debtor's business, financial condition, policies and procedures, and books and records. Except as otherwise noted, I have personal knowledge of the matters set forth herein or have gained knowledge of such matters from the Debtor's retained advisors that report to me in the ordinary course of my responsibilities. If called upon to testify, I would testify competently to the facts set forth herein.

3. At the time of the Petition Date, I had sole voting and dispositive power over 324,376 shares, and I shared voting and dispositive power over an additional 2,819,068 shares. In the aggregate, these 3,143,444 shares represent 20.5% of total outstanding shares at the time of filing.

4. Over recent months, Morrison & Foerster has represented the Debtor as its lead outside counsel in significant tax and insurance insolvency and regulatory matters, and has developed substantial knowledge regarding the Debtor that will result in effective and efficient services in this Bankruptcy Case. Of particular importance to the Debtor, Morrison & Foerster has been the Debtor's key outside advisor responsible for formulating and advising the Debtor on a plan to maximize value for the Debtor's estate.

5. Morrison & Foerster has recently represented creditors' committees in several major bankruptcies involving insurance holding companies operating in the

mortgage industry. Each of these bankruptcies was driven by substantial tax, bankruptcy and insurance law issues, providing Morrison & Foerster with extensive knowledge regarding issues likely to arise during the Debtor's chapter 11 case. Because of Morrison & Foerster's extensive experience in the very specialized area of insurance insolvency, the Debtor has been able to chart a strategic course to maximize value for its estate without the need for the retention of a financial advisor. Moreover, given Morrison & Foerster's unique level of knowledge of, and experience with, the Debtor and its business, the retention of Morrison & Foerster will avoid the time and expense that another law firm would otherwise have to invest in learning about the Debtor's operations in order to provide the same level of services. Ultimately, the retention of Morrison & Foerster as special counsel will minimize administrative expenses, which will inure to the benefit of the Debtor and its creditors.

6. Morrison & Foerster's engagement letter with the Debtor contained a success fee. I, along with the Debtor, believe that engaging Morrison & Foerster in this chapter 11 case on similar terms, including a Success Fee (as defined in the Application), is appropriate for several reasons. In particular, the Debtor believes the Success Fee arrangement is appropriate in this case in light of the unique and speculative nature of the Debtor's intangible assets, and Morrison & Foerster's expertise in developing and implementing value-maximizing transactions involving such speculative assets. Additionally, as a result of Morrison & Foerster's

agreement to provide certain services, the Debtor has been spared the costs of retaining a financial advisor in its efforts to generate maximum value for its assets.

7. Finally, Morrison & Foerster has agreed to maintain a reduced, \$50,000 retainer during this Chapter 11 Case, of which only \$47,948 remains. The Debtor and I understand that this retainer is much lower than what would otherwise be conventional for Morrison & Foerster to accept in a case like this and exposes the Firm to increased risk. Because Morrison & Foerster has agreed to shoulder increased risk not contemplated when the Firm began its engagement, the Debtor and I further believe that it is appropriate to reward the Firm with a portion of any incremental value Morrison & Foerster assists the estate in creating and realizing in connection with one or more transactions involving the Debtor's intangible assets.

8. In addition, Morrison & Foerster's economic interests are aligned with the Debtor, its creditors and its equityholders, because Morrison & Foerster will only earn the Success Fee if it is able to consummate a value-creating transaction.

9. Morrison & Foerster's expertise in developing and implementing value-maximizing transactions involving such speculative assets, and the savings realized by the Debtor in not otherwise needing to retain a financial advisor to attempt to generate maximum value from such assets, warrants Morrison Foerster being entitled to earn the Success Fee in the event that it can execute a transaction that monetizes a highly illiquid asset for the benefit of the Debtor's creditors and equityholders.

10. Accordingly, as the Chairman, President and Chief Executive Officer of the Debtor, as well as the largest single shareholder of the Debtor, I believe the Success Fee arrangement is appropriate in this case in light of the unique and speculative nature of the Debtor's intangible assets.

Dated: June 20, 2013

/s/ William T. Ratliff, III
William T. Ratliff, III
Chairman, President, and Chief
Operating Officer