

EXHIBIT 1

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

In re:	X	
	:	
Triad Guaranty Inc., ¹	:	Chapter 11
	:	
Debtor.	:	Case No. 13-11452 (MFW)
	:	
Triad Guaranty Inc.,	X	
	:	
Plaintiff,	:	
	:	
v.	:	Adv. Pro. No. 13-51224 (MFW)
	:	
James L. Phillips, individually and on behalf of all others similarly situated, and Western Pennsylvania Electrical Employees Pension Fund	:	
	:	
Defendants.	:	
	X	

STIPULATION

Triad Guaranty Inc., debtor and debtor-in-possession (the “Debtor”) in the above-captioned bankruptcy case (the “Bankruptcy Case”), plaintiff in the above-captioned adversary proceeding (the “Adversary Proceeding”), and a defendant in that certain action captioned Phillips, Individually and on Behalf of All Others Similarly Situated, v. Triad Guaranty Inc., Case No. 1:09-cv-00071 (M.D.N.C.) (the “Securities Litigation”), and James L. Phillips (“Phillips”) and Western Pennsylvania Electrical Employees Pension Fund (“WPEEPF”), plaintiffs in the Securities Litigation and defendants in the Adversary Proceeding, hereby stipulate and agree as follows:

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.

RECITALS

I. The Securities Litigation

WHEREAS, On January 28, 2009, the Securities Litigation was commenced by the filing of a complaint against the Debtor and co-defendants Kenneth W. Jones and Mark J. Tonnesen (collectively, the "Non-Debtor Defendants").

WHEREAS, On April 16, 2009, WPEEPF was appointed by the United States District Court for the Middle District of North Carolina, Winston-Salem Division, as lead plaintiff in the Securities Litigation.

WHEREAS, On June 22, 2009, the plaintiffs in the Securities Litigation filed their Amended Complaint.

WHEREAS, On March 30, 2012, the plaintiffs in the Securities Litigation filed their Second Amended Complaint.

WHEREAS, On May 15, 2012, the Debtor and the Non-Debtor Defendants filed their motion to dismiss (the "Motion to Dismiss") the Second Amended Complaint.

WHEREAS, On May 31, 2013, Magistrate Judge Joe L. Webster of the United States District Court for the Middle District of North Carolina, Winston-Salem Division, issued his Order, Memorandum Opinion, and Recommendation that the Motion to Dismiss be denied.

WHEREAS, On June 25, 2013, Judge N. Carlton Tilley, Jr. of the United States District Court for the Middle District of North Carolina, Winston-Salem Division, in recognition of the Debtor's filing of the Bankruptcy Case, entered that certain order providing, inter alia, that the Debtor is terminated as a defendant in the Securities Litigation.

II. The Bankruptcy Case and Adversary Proceeding

WHEREAS, On June 3, 2013, the Debtor commenced the Bankruptcy Case by filing a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”). The Debtor is operating its business as a debtor-in-possession pursuant to Bankruptcy Code sections 1107 and 1108.

WHEREAS, On July 12, 2013, the Debtor commenced the Adversary Proceeding, seeking, *inter alia*, to extend the automatic stay of Bankruptcy Code section 362 to the Non-Debtor Defendants in the Securities Litigation. On July 22, 2013, the Debtor served the summons and complaint in the Adversary Proceeding on WPEEPF.

WHEREAS, On July 19, 2013, WPEEPF sent to the Debtor a letter request for certain documents under Rule 2004 of the Federal Rules of Bankruptcy Procedure (the “Discovery Demand”).

Now, therefore, in consideration of the foregoing and other good and valuable consideration, the sufficiency of which is hereby acknowledged, Debtor, Phillips and WPEEPF (the “Parties”) have agreed to resolve the (i) Securities Litigation, (ii) the Adversary Proceeding, and (iii) the Discovery Demand through this Stipulation, as follows.

1. Within three (3) business days after the date of Bankruptcy Court approval of this Stipulation, WPEEPF and Phillips shall file notices of dismissal with prejudice of the Debtor from the Securities Litigation in the form annexed hereto as **Exhibit A** (collectively, the “WPEEPF Notice of Dismissal”). The WPEEPF Notice of Dismissal are solely for the benefit of the Debtor and shall not effect any other parties in the Securities Litigation and shall not constitute a waiver of any rights of Phillips and WPEEPF against any other parties in the Securities Litigation.

2. Within three (3) business days after the filing of the WPEEPF Notice of Dismissal, the Debtor shall file a notice of dismissal with prejudice of the Adversary Proceeding in the form annexed hereto as **Exhibit B** (the "Triad Notice of Dismissal").

3. Within seven (7) calendar days after the filing of the Triad Notice of Dismissal, the Debtor shall, in response to the Discovery Demand, furnish WPEEPF with copies of all insurance policies applicable to the Securities Litigation.

4. The Parties stipulate and agree that the automatic stay in the Bankruptcy Case shall be modified so as to permit WPEEPF to serve third party discovery requests on the Debtor. The Debtor will also ask the Rehabilitator in the rehabilitation proceedings of Triad Guaranty Insurance Corporation and Triad Guaranty Assurance Corporation, to issue a litigation hold for documents potentially related to the Securities Litigation.

5. The Debtor will request entry of an order approving the Stipulation (the "Court Order"). Each Party shall cooperate with and support the other Party's efforts to obtain entry of the Court Order in a commercially reasonable manner and shall take no actions inconsistent therewith. If the Court fails to approve the Stipulation, the Stipulation will be void and of no effect.

6. This Stipulation sets forth the entire understanding of the Parties and is intended to be the complete and exclusive statement of the terms thereof. The Parties have independently verified all facts and/or conditions of facts that they have determined are necessary to their decision to enter into this Stipulation, and they have not relied upon any representations, written or oral, express or implied, of any other person in verifying and satisfying themselves as to such facts and/or condition of facts.

7. The Parties represent and warrant to each other that: (i) the signatories to this Stipulation are authorized to execute this Stipulation, and (ii) each has full power and authority to enter into this Stipulation.

8. Nothing herein is intended to or shall be construed to modify or affect any rights of the Non-Debtor Defendants.

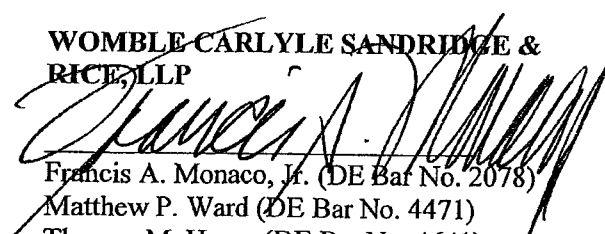
9. This Stipulation may not be changed, modified, or amended except in a writing signed by the Parties and/or their counsel and upon further order of the Court.

10. This Stipulation may be executed in any number of counterparts and shall constitute one agreement, binding upon the Parties hereto as if the Parties signed the same document; all facsimile signatures shall be treated as originals for all purposes.

11. This Stipulation shall be construed in accordance with the laws of the State of Delaware, without regard to any conflict of law provisions.

Dated: September __, 2013

**WOMBLE CARLYLE SANDRIDGE &
RICE, LLP**


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Counsel to Triad Guaranty Inc.

Dated: September __, 2013

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*Counsel to Western Pennsylvania Electrical
Employees Pension Fund*

Dated: September ____, 2013

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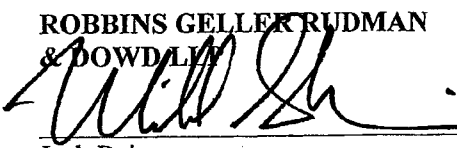
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*Counsel to Western Pennsylvania Electrical
Employees Pension Fund*

EXHIBIT A

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF NORTH CAROLINA
WINSTON-SALEM DIVISION**

JAMES L. PHILLIPS, Individually and on
Behalf of All Others Similarly Situated,

Plaintiff,

vs.

TRIAD GUARANTY INC., MARK K.
TONNESEN, and KENNETH W. JONES.

Defendants.

C.A. No. 1:09-CV-00071

NOTICE OF DISMISSAL

Lead Plaintiff Western Pennsylvania Electrical Employees Pension Fund, in accordance with Rule 41 of the Federal Rules of Civil Procedure, hereby gives notice that defendant Triad Guaranty Inc. is dismissed from the above-captioned action, with prejudice.

[Signature page follows.]

Dated: _____, 2013

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

/s/ Jack Reise

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Liaison Counsel

EXHIBIT B

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

-----	X
In re:	:
	:
Triad Guaranty Inc., ¹	:
	:
Debtor.	:
	:
-----	X
Triad Guaranty Inc.,	:
	:
Plaintiff,	:
	:
v.	:
	:
James L. Phillips, individually and on behalf of all	:
others similarly situated, and Western	:
Pennsylvania Electrical Employees Pension Fund	:
	:
Defendants.	:
-----	X

NOTICE OF DISMISSAL

Plaintiff Triad Guaranty Inc., in accordance with Rule 41 of the Federal Rules of Civil Procedure, made applicable to the above-captioned adversary proceeding (the "Action") by Rule 7041 of the Federal Rules of Bankruptcy Procedure, hereby gives notice that the Action is dismissed, with prejudice.

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.

Dated: _____, 2013

**WOMBLE CARLYLE SANDRIDGE
& RICE, LLP**

/s/

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