

**EXHIBIT A**

## PROMISSORY NOTE

FOR VALUE RECEIVED, and subject to the terms and conditions set forth herein, Triad Guaranty Inc., a Delaware corporation (the "**Borrower**" or "**Debtor**"), hereby unconditionally promises to pay to the order of **Triad DIP Investors LLC** assigns (the "**Noteholder**", and together with the Borrower, the "**Parties**"), the principal amount of up to Four Hundred Thousand Dollars (\$400,000) (the "**Loan**"), as provided in this Promissory Note (the "**Note**"). This Note evidences the loan approved by the bankruptcy court by order dated July \_\_, 2017 (the "**DIP Order**"), and that the obligations evidenced by the Note are entitled to all the priorities, collateral, and other protections granted the Noteholder under the DIP Order

1. Definitions. Capitalized terms used herein shall have the meanings set forth in this **Section 1**.

"**Advance**" means each disbursement made by the Noteholder to the Borrower pursuant to **Section 2.2**.

"**Affiliate**" means as to any Person, any other Person that, directly or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"**Anti-Terrorism Law**" means any Law related to money laundering or financing terrorism including the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. 107-56) (the "**USA PATRIOT Act**"), the Currency and Foreign Transactions Reporting Act, 31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818(s), 1820(b) and 1951-1959) (also known as the "**Bank Secrecy Act**"), the Trading With the Enemy Act (50 U.S.C. § 1 et seq., as amended) and Executive Order 13224 (effective September 24, 2001).

"**Bankruptcy Case**" means the Borrower's bankruptcy case number 13-11452 (MFW), pending in the United States Bankruptcy Court for the District of Delaware.

"**Bankruptcy Court**" means the United States Bankruptcy Court for the District of Delaware or any other court presiding over the Bankruptcy Case.

"**Borrower**" has the meaning set forth in the introductory paragraph.

"**Business Day**" means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"**Commitment Period**" means a period commencing on the initial date of the DIP Order and ending on the Maturity Date.

"**Confirmation Date**" has the meaning set forth in Section 3.2.

"**Debt**" of the Borrower, means all (a) indebtedness for borrowed money; (b) obligations for the deferred purchase price of property or services, except trade payables arising in the ordinary course of business; (c) obligations evidenced by notes, bonds, debentures or other similar instruments; (d) obligations as lessee under capital leases; (e) obligations in respect of any interest rate swaps, currency exchange agreements, commodity swaps, caps, collar agreements or similar arrangements entered into by the Borrower providing for protection against fluctuations in interest rates, currency exchange rates or commodity prices or the exchange of nominal interest obligations, either generally or under specific contingencies; (f) obligations under acceptance facilities and letters of credit; (g) guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss, in each case, in respect of indebtedness set out in clauses (a) through (f) of a Person other than the Borrower; and (h) indebtedness set out in clauses (a) through (g) of any Person other than Borrower secured by any lien on any asset of the Borrower, whether or not such indebtedness has been assumed by the Borrower.

"**Default**" means any of the events specified in **Section 8** which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both pursuant to **Section 87** would, unless cured or waived, become an Event of Default.

"**Event of Default**" has the meaning set forth in **Section 8**.

"**Final Payment Date**" has the meaning set forth in Section 3.3.

"**GAAP**" means generally accepted accounting principles in the United States of America as in effect from time to time.

"**Governmental Authority**" means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government (including any supranational bodies such as the European Union or the European Central Bank).

"**Law**" as to any Person, means any law (including common law), statute, ordinance, treaty, rule, regulation, policy or requirement of any Governmental Authority and authoritative interpretations thereon, whether now or hereafter in effect, in each case, applicable to or binding on such Person or any of its properties or to which such Person or any of its properties is subject.

"**Loan**" has the meaning set forth in the introductory paragraph.

"**Material Adverse Effect**" means a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations /or condition (financial or otherwise) of the Borrower; (b) the validity or enforceability of the Note; (c) the rights or remedies of the Noteholder hereunder; or (d) the Borrower's ability to perform any of its material payment obligations hereunder.

"**Maturity Date**" means the earliest of (a) the date on which the United States Bankruptcy Court for the District of Delaware approves a debtor-in-possession lending transaction with any other lender, (b) the effective date of any plan of reorganization of Borrower, (c) the date of the conversion of the Borrower's bankruptcy case to a case under chapter 7 of the title 11 of the United States Code, or the dismissal of such bankruptcy case, and (d) the date on which all amounts under this Note shall become due and payable pursuant to **Section 3**.

"**Note**" has the meaning set forth in the introductory paragraph.

"**Noteholder**" has the meaning set forth in the introductory paragraph.

"**Order**" as to any Person, means any order, decree, judgment, writ, injunction, settlement agreement, requirement or determination of an arbitrator or a court or other Governmental Authority, in each case, applicable to or binding on such Person or any of its properties or to which such Person or any of its properties is subject.

"**Parties**" has the meaning set forth in the introductory paragraph.

"**Person**" means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.

"**Sanctions**" means, sanctions administered or enforced by the US Department of the Treasury's Office of Foreign Assets Control (OFAC), US Department of State, or other relevant sanctions authority.

"**Term Loan**" has the meaning set forth in Section 3.2.

"**USA PATRIOT Act**" has the meaning set forth in the definition of Anti-Terrorism Law.

2. Loan Disbursement Mechanics.

2.1 Commitment. Subject to **Section 2.2**, the Noteholder shall make available to the Borrower one or more Advances during the Commitment Period in an aggregate amount not to exceed the Loan for the payment of (a) of any policy for Director & Officer liability insurance, (b) statutory fees under 28 U.S.C. § 1930 in connection with the Bankruptcy Case, (c) fees and expenses of Debtor's counsel in the Bankruptcy Case, or (d) any other necessary costs and expenses in the Bankruptcy Case as the Noteholder may approve.

2.2 Advances. As a condition to the disbursement of any Advance, the Borrower shall, at least 1 Business Day prior to the requested disbursement date, deliver to the Noteholder a written notice (the "**Borrowing Notice**") setting out (a) that no Default has occurred and is continuing; (b) the amount of the Advance, and (c) the date on which the Advance is to be disbursed. Each Borrowing Notice shall be deemed to repeat the Borrower's representations and warranties in **Section 6** as of the date of such Borrowing Notice. Upon receipt of the Borrowing Notice, the Noteholder shall make available to the Borrower on the disbursement date the amount set out in the notice in immediately available funds. The Noteholder shall have no obligation to make any Advance under the Loan unless and until the Loan and such Advance have been approved by (i) the Noteholder; and (ii) Order of the United States Bankruptcy Court for the District of Delaware, in each case on terms and conditions acceptable to Noteholder in his sole and absolute discretion.

2.3 Carve-Out. The Noteholder shall establish and fund a carve-out reserve (the "**Carve-Out**") exclusively for payment of fees and expenses of Borrower's counsel, Shaw Fishman Glantz & Towbin LLC ("**Shaw Fishman**"). Upon approval of the DIP Order on an interim basis (or, if interim relief is not sought, on a final basis), Noteholder shall fund the Carve-Out in the initial amount of \$50,000 by payment of an evergreen retainer to Shaw Fishman, to be held in Shaw Fishman's IOLTA account in Delaware. At the same time, Noteholder shall deposit in Shaw Fishman's IOLTA account an additional \$100,000, where it shall remain property of the Noteholder. The Noteholder shall, upon demand and without the need for any further order, consent to the payment of allowed fees and expenses of Shaw Fishman in accordance with (a) the Bankruptcy Court's Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals and Official Committee Members, entered in the Bankruptcy Case on July 8, 2013 at D.I. 57 or (b) any other order of the Bankruptcy Court. Following any payment to Shaw Fishman on account of its final fee application in this Case, any funds remaining in the Carve-Out shall be returned to the Noteholder.

3. Maturity Date; Conversion to Term Loan; Payment Dates.

3.1 Maturity Date. The aggregate unpaid principal amount of the Loan, all accrued and unpaid interest and all other amounts payable under this Note shall be due and payable on the Maturity Date.

3.2 Conversion to Term Loan. If the Maturity Date is the effective date of any confirmed chapter 11 plan of reorganization of Borrower (the “**Confirmation Date**”), this Note shall automatically convert into a 2 year term loan (the “**Term Loan**”) as of the Confirmation Date.

3.3 Final Payment Date of Term Loan. In the event the Note is converted to the Term Loan pursuant to Section 3.2 above, all principal amount hereof and accrued but unpaid interest thereon shall be payable on the 2-year anniversary of the Confirmation Date (the “**Final Payment Date**”). Interest hereunder shall be computed on the basis of a year of three hundred sixty (360) days for the actual number of days elapsed.

3.4 Optional Prepayment. The Borrower may prepay the Loan in whole or in part at any time or from time to time without penalty or premium by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

#### 4. Interest; Warrants.

4.1 Interest. All obligations of the Borrower under the this Note shall bear interest at a rate per annum equal to ten percent (10%), payable monthly in arrears. All interest and fees shall be computed on the basis of a year of 360 days for the actual days elapsed. The default interest rate shall be the interest rate then in effect plus two percent (2%).

4.2 Warrants. The Noteholder shall receive a warrant to acquire 10% of the fully diluted common stock of the Borrower as of the Confirmation Date as consideration for the Noteholder’s commitments under this Note.

#### 5. Payment Mechanics.

5.1 Manner of Payments. All payments of principal shall be made in lawful money of the United States of America no later than 4:00 PM on the date on which such payment is due by cashier's check, certified check or by wire transfer of immediately available funds to the Noteholder's account at a bank specified by the Noteholder in writing to the Borrower from time to time.

5.2 Application of Payments. All payments made hereunder shall be applied to the payment of the principal amount outstanding under the Note.

5.3 Business Day Convention. Whenever any payment to be made hereunder shall be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension will be taken into account in calculating the amount of interest payable under this Note.

5.4 Evidence of Debt. The Noteholder is authorized to record on the grid attached hereto as Exhibit A each Advance made to the Borrower and each payment or prepayment thereof. The entries made by the Noteholder shall, to the extent permitted by applicable Law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; *provided, however, that* the failure of the Noteholder to record such payments or prepayments, or any inaccuracy therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Advances in accordance with the terms of this Note.

5.5 Rescission of Payments. If at any time any payment made by the Borrower under this Note is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, the Borrower's obligation to make such payment shall be reinstated as though such payment had not been made.

6. Representations and Warranties. The Borrower hereby represents and warrants to the Noteholder on the date hereof as follows:

6.1 Existence; Compliance With Laws. The Borrower is (a) a corporation duly incorporated, validly existing and in good standing under the laws of the state of its jurisdiction of organization and has the requisite power and authority, and the legal right, to own, lease and operate its properties and assets and to conduct its business as it is now being conducted and (b) in compliance with all Laws and Orders except to the extent that the failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.2 Power and Authority. The Borrower has the power and authority, and the legal right, to execute and deliver this Note and to perform its obligations hereunder.

6.3 Authorization; Execution and Delivery. The execution and delivery of this Note by the Borrower and the performance of its obligations hereunder have been duly authorized by all necessary corporate action in accordance with all applicable Laws. The Borrower has duly executed and delivered this Note.

6.4 No Violations. The execution and delivery of this Note and the consummation by the Borrower of the transactions contemplated hereby do not and will not (a) violate any provision of the Borrower's organizational documents; (b) violate any Law or Order applicable to the Borrower or by which any of its properties or assets may be bound; or (c) constitute a default under any material agreement or contract by which the Borrower may be bound.

6.5 Enforceability. The Note is a valid, legal and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms.

6.6 USA PATRIOT Act, OFAC and Other Regulations

(a) Neither the Borrower nor, to the knowledge of the Borrower, any of its Affiliates or any of their respective officers, directors, brokers or agents (i) has violated any Anti-Terrorism Laws or (ii) has engaged in any transaction, investment, undertaking or activity that conceals the identity, source or destination of the proceeds from any category of prohibited offenses designated by the Organization for Economic Co-operation and Development's Financial Action Task Force on Money Laundering.

(b) Neither the Borrower nor, to the knowledge of the Borrower, any of its Affiliates or any of their respective officers, directors, brokers or agents is a Person that is, or is owned or controlled by Persons that are: (i) the subject of any Sanctions, or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions, including currently, Cuba, Iran, North Korea, Sudan and Syria.

(c) Neither the Borrower nor, to the knowledge of the Borrower any of its Affiliates or any of their respective officers, directors, brokers or agents acting or benefiting in any capacity in connection with the Loan (i) conducts any business or engages in making or receiving any contribution of goods, services or money to or for the benefit of any Person, or in any country or territory, that is the subject of any Sanctions, (ii) deals in, or otherwise engages in any transaction related to, any property or interests in property blocked pursuant to any Anti-Terrorism Law or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

7. Affirmative Covenants. Until all amounts outstanding in this Note have been paid in full, the Borrower shall:

7.1 Maintenance of Existence. (a) Preserve, renew and maintain in full force and effect its corporate or organizational existence and (b) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

7.2 Compliance. Comply with (a) all of the terms and provisions of its organizational documents; (b) its obligations under its material contracts and agreements; and (c) all Laws and Orders applicable to it and its business, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

7.3 Notice of Events of Default. As soon as possible and in any event within 5 Business Days after it becomes aware that a Default or an Event of Default has occurred, notify the Noteholder in writing of the nature and extent of such Default or Event of



Default and the action, if any, it has taken or proposes to take with respect to such Default or Event of Default.

7.4 Further Assurances. Upon the request of the Noteholder, promptly execute and deliver such further instruments and do or cause to be done such further acts as may be necessary or advisable to carry out the intent and purposes of this Note.

8. Events of Default. The occurrence and continuance of any of the following shall constitute an Event of Default hereunder:

8.1 Failure to Pay. The Borrower fails to pay any principal amount of the Loan when due and such failure continues for 30 days after written notice to the Borrower.

8.2 Breach of Representations and Warranties. Any representation or warranty made or deemed made by the Borrower to the Noteholder herein is incorrect in any material respect on the date as of which such representation or warranty was made or deemed made.

8.3 Breach of Covenants. The Borrower fails to observe or perform (a) any covenant, condition or agreement contained in **Section 7.3** or (b) any other material covenant, obligation, condition or agreement contained in this Note other than those specified in clause (a) and **Section 8.1** and such failure continues for 30 days after written notice to the Borrower.

9. Miscellaneous.

9.1 Notices.

(a) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

(i) If to the Borrower:

Triad Guaranty Inc.  
Attn: Mike Anderson, Vice President  
1900 Crestwood Blvd.  
Birmingham, AL 35210

(ii) If to the Noteholder:

Triad DIP Investors LLC  
Attn: Chris Manderson  
815 First Avenue  
Suite 347  
Seattle, WA 98104

(b) Notices if (i) mailed by certified or registered mail or sent by hand or overnight courier service shall be deemed to have been given when received; (ii) sent by facsimile during the recipient's normal business hours shall be deemed to have been given when sent (and if sent after normal business hours shall be deemed to have been given at the opening of the recipient's business on the next business day); and (iii) sent by e-mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment).

9.2 Governing Law. This Note and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Note, and the transactions contemplated hereby shall be governed by the laws of the State of Delaware.

9.3 Submission to Jurisdiction. The Borrower hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Note may be brought in the United States Bankruptcy Court for the District of Delaware and (ii) submits to the exclusive jurisdiction of any such court in any such action, suit or proceeding. Final judgment against the Borrower in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

9.4 Venue. The Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Note in the United States Bankruptcy Court for the District of Delaware and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

9.5 Waiver of Jury Trial. THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

9.6 Counterparts; Integration; Effectiveness. This Note and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single contract. This Note constitutes the entire contract between the Parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Note by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Note.

9.7 Successors and Assigns. This Note may be assigned or transferred by the Noteholder to any Person. The Borrower may not assign or transfer this Note or any of its rights hereunder without the prior written consent of the Noteholder. This Note shall inure to the benefit of, and be binding upon, the Parties and their permitted assigns.

9.8 USA PATRIOT Act. The Noteholder hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify, and record information that identifies the Borrower, which information includes the name of the Borrower and other information that will allow the Noteholder to identify the Borrower in accordance with the US PATRIOT Act, and the Borrower agrees to provide such information from time to time to the Noteholder.

9.9 Interpretation. For purposes of this Note (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Note as a whole. The definitions given for any defined terms in this Note shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Note; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Note shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

9.10 Amendments and Waivers. No term of this Note may be waived, modified or amended except by an instrument in writing signed by both of the parties hereto. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

9.11 Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

9.12 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising on the part of the Noteholder, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

9.13 Electronic Execution. The words "execution," "signed," "signature," and words of similar import in the Note shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 USC § 7001 et seq.), the Electronic Signatures and Records Act of 1999 (N.Y. State Tech. Law §§ 301-309), or any other similar state laws based on the Uniform Electronic Transactions Act.

9.14 Severability. If any term or provision of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Note or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Note so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

IN WITNESS WHEREOF, the Borrower has executed this Note as of July \_\_, 2017.

TRIAD GUARANTY INC.

By \_\_\_\_\_

Name: Mike Anderson

Title: Vice President

By its acceptance of this Note, the Noteholder acknowledges and agrees to be bound by the provisions of **Section 2.2**.

TRIAD DIP INVESTORS LLC

By: \_\_\_\_\_

Name: Chris Manderson

Title: Managing Member

