



FOLEY & LARDNER LLP

ATTORNEYS AT LAW

VEREX PLAZA
150 EAST GILMAN STREET
MADISON, WI 53703-1481
POST OFFICE BOX 1497
MADISON, WI 53701-1497
608.257.5035 TEL
608.258.4258 FAX
foley.com

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WRITER'S DIRECT LINE
608.258.4206
mvansicklen@foley.com EMAIL

Jody Baux
Ambac Clerk, Dane County Circuit Court
Dane County Courthouse
215 South Hamilton Street
Madison, Wisconsin 53703

Re: *In the Matter of the Rehabilitation of Segregated Account of Ambac Assurance Corporation*; Dane County Circuit Court Case No. 10 CV 1576

Dear Ms. Baux:

Enclosed for filing is the Rehabilitator's Notice of Seventh Amendment to Jefferies & Co., Inc.'s Engagement.

This filing does not request or require any specific court hearing or approval; it is primarily informational for the Court and interested parties and will be posted on the ambacpolicyholders.com website.

Thank you for your attention to this matter.

Very truly yours,

FOLEY & LARDNER LLP


Michael B. Van Sicklen

Enclosure

cc: Honorable William D. Johnston (with enclosure, via first-class mail)
All Counsel of Record (with enclosure, via email)

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In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

**REHABILITATOR'S NOTICE OF SEVENTH AMENDMENT
TO JEFFERIES & CO., INC.'S ENGAGEMENT**

TO: Honorable William D. Johnston
Lafayette County Circuit Court
Lafayette County Courthouse
626 Main Street
Post Office Box 40
Darlington, Wisconsin 53530-0040

PLEASE TAKE NOTICE that the Commissioner of Insurance of the State of Wisconsin, as court-appointed Rehabilitator of the Segregated Account of Ambac Assurance Corporation (the "Segregated Account"), entered into a Seventh Amendment regarding the terms of engagement for the financial advisory services provided by Jefferies & Co., Inc. and its subcontractors ("Jefferies") (as identified in the Rehabilitator's prior application dated May 12, 2010, as approved by Order dated May 13, 2010). The background for the Seventh Amendment is as follows:

1. As detailed in the Rehabilitator's March 24, 2010 Verified Petition, and in the subsequent First Affidavit of OCI's Roger Peterson, OCI first engaged Jefferies in early 2008 to start assisting OCI in its regulatory oversight and analysis of Ambac Assurance Corporation. OCI has continued to engage Jefferies and the Jefferies subcontractors pursuant to six previous amendments to the original terms of engagement.

2. In accordance with Wis. Stat. § 645.33(3), the Order for Rehabilitation authorizes the Rehabilitator and Special Deputy Commissioner for the Segregated Account “to negotiate and enter into additional contracts for professional services, providing for reasonable compensation and expenses, for such further attorneys, accountants, financial advisors, experts, and contractors as they deem necessary to effectuate the rehabilitation of the Segregated Account.” (Dkt. 11, ¶ 8.)

3. In the Order for Rehabilitation, this Court authorized the Rehabilitator to continue the preexisting engagement for professional services with Jefferies to provide professional advice on restructuring, financial issues, and securities. The Court also authorized the Rehabilitator to continue the preexisting engagements for professional services with Gordian Group, LLC, Todd Cooper, Robert E. Nolan Company, and Sitrick and Company Inc., as subcontractors for Jefferies. (*Id.* ¶ 7.)

4. The most recent previous amendment to the terms of the Jefferies engagement was detailed in the Rehabilitator’s application to this Court dated May 12, 2010.

5. The Rehabilitator entered into a Seventh Amendment of the terms of the Jefferies engagement which continues the relationship consistent with the previously approved terms, save that the Seventh Amendment increased the compensation due Jefferies from July 1, 2010 to January 31, 2011 consistent with the commensurate material increase in the scope of the financial advisory services requested by the Rehabilitator and rendered by Jefferies and its subcontractors in connection with advising and assisting the Rehabilitator in connection with the preparation of the Plan and Disclosure Statement, the student loan assessment and allocation, commutation work, services related to the confirmation process, matters regarding tax issues

related to AFG and its bankruptcy and the supplemental allocation of contingent liabilities to the Segregated Account last November, and the implementation of the confirmed plan and related ongoing analysis and evaluation requested by the Rehabilitator in support of the Rehabilitator's continuing exercise of his statutory authority in regard to the Segregated Account and Plan.

6. Because the Rehabilitator requested and received the agreed stepped up services from Jefferies and its subcontractors during the period covered by the Seventh Amendment, the Rehabilitator deems the commensurate increase in services and fees called for in the Seventh Amendment to be appropriate and within the exercise of the Rehabilitator's authority and discretion under Wis. Stat. § 645.33(3). The filing of this Notice was delayed by the Plan Proceedings and the jurisdictional interruption caused by the recent removal and remand proceedings in the District Court for the Western District of Wisconsin.

7. Because this is the seventh amendment of a long-standing engagement that does not involve the addition of new or different professional advisors as subcontractors, the Rehabilitator is proceeding by notice rather than by more formal application and requested order. However, if the Court has any questions or concerns regarding this amendment of the 2 1/2 year-plus engagement of Jefferies as noticed herein, the Rehabilitator would be happy to provide any such additional information as the Court requests.

Dated this 18th day of February, 2011.

FOLEY & LARDNER LLP



Michael B. Van Sicklen, SBN 1017827

Matthew R. Lynch, SBN 1066370

FOLEY & LARDNER LLP

150 East Gilman Street

Post Office Box 1497

Madison, Wisconsin 53701

Telephone: (608) 257-5035

Facsimile: (608) 258-4258

*Attorneys for Wisconsin Office of the
Commissioner of Insurance and the
Commissioner of Insurance of the State of
Wisconsin, as the Court-Appointed
Rehabilitator of the Segregated
Account of Ambac Assurance Corporation*