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In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

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**AMENDMENT NO. 1 TO DISCLOSURE STATEMENT  
ACCOMPANYING PLAN OF REHABILITATION**

**The Commissioner of Insurance of the State of Wisconsin,  
as the Court-Appointed Rehabilitator of the Segregated Account  
of Ambac Assurance Corporation**

DATE: October 21, 2010

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## **I. ADDITIONS TO TEXT OF DISCLOSURE STATEMENT**

The Rehabilitator hereby submits the following additional text to the Disclosure Statement, as filed with this Court on October 8, 2010:

1. In order to clarify the rationale for the June 7, 2020 maturity date of the Surplus Notes, the following sentence is added to the end of the paragraph carrying over onto page 3 of the Disclosure Statement (within Section I.D.) immediately following the phrase “and (ii) Surplus Notes with a face value equal to 75% of such Claim.”:

The June 7, 2020 maturity date was chosen so the Surplus Notes being issued pursuant to the Plan are not disfavored relative to the Bank Settlement Notes and Weinstein Notes (or vice versa), which are also scheduled to mature on June 7, 2020.

2. In order to clarify the treatment of Permitted Policy Claims arising after June 7, 2020 (the maturity date of the Surplus Notes), the following sentence is added to the end of the final paragraph on page 32 of the Disclosure Statement (within Section V.G.) immediately following the words “expected to be made after June 1, 2020.”:

While the Distributions on Permitted Policy Claims after June 1, 2020 will depend on an evaluation of the estimated liabilities and claims-paying resources of the Segregated Account, the Rehabilitator anticipates that unless all Permitted Policy Claims are being paid in full in cash at that time, a new series of surplus notes would be issued by the Segregated Account, which would rank *pari passu* with, and have terms essentially identical to, the issued and outstanding Surplus Notes, Bank Settlement Notes and Weinstein Notes, except that the new series of surplus notes would have a later maturity date.

## **II. SUBMISSION OF REVISED EXHIBITS**

The Rehabilitator hereby submits the following revised exhibits to the Disclosure Statement, as filed with this Court on October 8, 2010:

- Exhibit D: Projected Financial and Operating Results Associated with Scenario One
- Exhibit E: Projected Financial and Operating Results Associated with Scenario Two
- Exhibit F: Projected Financial and Operating Results Associated with Scenario Three
- Exhibit G: Projected Financial and Operating Results Associated with Scenario Four


The revisions to each exhibit correct certain clerical errors (as described below), and do not change the recovery estimates or conclusions stated in the Disclosure Statement or the accompanying exhibits as of October 8, 2010.

The corrections are described as follows:

1. The column labeled "6/30/10" in the balance sheet on page 1 for each of Exhibits D, E, F and G as filed on October 8, 2010, did not accurately track AAC's balance sheet in the Quarterly Statement of AAC as of and for the six months ended June 30, 2010. The attached exhibits correct this error.
2. The column labeled "Adjustment for Consummation Transactions" in the Segregated Account Surplus Notes Memo Item on page 13 for each of Exhibits D, E, F and G as filed on October 8, 2010 incorrectly included the \$50 million of Weinstein Notes issued in conjunction with the Weinstein Settlement. This should have been reflected in the column labeled "Pre-Consummation 12/31/10." The attached exhibits correctly show the \$50 million of Weinstein Notes in the "Pre-Consummation 12/31/10" column instead of the "Adjustment for Consummation Transactions" column.
3. In Exhibit G as filed on October 8, 2010, pages 1, 5, 9, and 13 contain a duplicate column labeled "Post-Consummation 12/31/10." The attached Exhibit G removes the duplicate column.

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