
In the Matter of the Rehabilitation of:

Segregated Account of Ambac Assurance Corporation

Case No.

10CV1576

ORDER FOR TEMPORARY INJUNCTIVE RELIEF

Based on the Motion for Injunctive Relief filed by the Commissioner of Insurance for the State of Wisconsin (hereinafter the “Commissioner” or the “Rehabilitator”), and the pleadings, motions, briefs and exhibits on file in this case, as well as oral argument, this Court finds that the temporary injunctive relief requested by the Commissioner is reasonable and necessary to promote the equitable and orderly rehabilitation of the segregated account of Ambac Assurance Corporation (the “Segregated Account”), a Wisconsin-domiciled insurer under Wis. Stat. § 611.24(3)(e). The Court further finds that the requested injunctive relief is authorized by Chapter 645 of the Wisconsin Statutes and that this Court has exclusive jurisdiction over matters relating to this rehabilitation proceeding.

Please note that, as explained in the Commissioner’s Motion, the injunctive relief granted below does not apply to policies or other contracts which remain in the Ambac General Account. The injunctive relief specified below pertains to the Segregated Account, policies, contracts, assets and liabilities allocated to the Segregated Account, and the subsidiaries whose stock, limited liability member interests or other forms of ownership interests were allocated to the Segregated Account—namely, Ambac Credit Products, LLC and Ambac Conduit Funding, LLC, Juneau Investments, LLC, and Aleutian Investments, LLC.



The relief specified in this Order is complex and parties who may potentially be affected by it are encouraged to review the entire Order, including the important points of clarification set forth near the end of the Order at paragraphs 12 through 14.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that the Commissioner's Motion for Injunctive Relief is GRANTED, and the following first-day, temporary injunctions are hereby ENTERED:

1. All persons and entities are enjoined and restrained from commencing or prosecuting any actions, claims, lawsuits or other formal legal proceedings in any state, federal or foreign court, administrative body or other tribunal against: the Segregated Account; or against Ambac Assurance Corporation ("Ambac" or the "Ambac General Account") in respect of the Segregated Account or policies (including financial guarantee insurance policies and surety bonds), contracts or liabilities allocated to the Segregated Account; or against any subsidiary of Ambac whose stock, limited liability company member interests, or other forms of ownership interests were allocated to the Segregated Account—namely, Ambac Credit Products, LLC and Ambac Conduit Funding, LLC, Juneau Investments, LLC, and Aleutian Investments, LLC (collectively, "the Allocated Subsidiaries"); or against the Commissioner. Wis. Stat. § 645.05(1)(f). This Court has exclusive jurisdiction over any such actions, claims or lawsuits.

2. All persons and entities are enjoined and restrained from seeking to impose civil liability upon the Commissioner, whether or not within the confines of this proceeding (this legal proceeding, together with all filings, motions, orders, writs, and other authorizations relating thereto and the findings made in connection herewith, the "Proceedings"), arising out of any alleged act, error, or omission in the performance of his duties or involvement in this

rehabilitation, unless such act or omission constitutes criminal misconduct. Wis. Stat.

§ 645.08(2).

3. All persons and entities claiming secured, priority, preferred or other interests in any property or assets of the Segregated Account or of any of the Allocated Subsidiaries, are hereby enjoined and restrained from taking any steps to transfer, foreclose, sell, assign, garnish, levy, encumber, attach, dispose of, or exercise purported rights in or against such property or assets. Wis. Stat. § 645.05(1)(d), (g), (h), (k).

4. All policyholders and/or counterparties whose policies or contracts have been allocated to the Segregated Account, or who are counterparties to contracts with an Allocated Subsidiary (including, without limitation, in each case noteholders and any other persons claiming by or through such policyholders and/or counterparties), are enjoined and restrained from terminating, collecting on, or claiming against—or attempting to terminate, collect on, or claim against—such policies or contracts, or the transaction documents executed in connection with the issuance of such policies or contracts or related to such policies or contracts, on the basis of the Events (as defined below), or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account, regardless of the existence of any language in those policies, contracts, or any other agreements that would otherwise permit or require early termination. Wis. Stat. § 645.05(1)(k). As used herein, the term “Events” refers to the Proceedings and any acts taken or not taken or authorized to be taken pursuant thereto, including without limitation the failure of the Segregated Account, the Allocated Subsidiaries, or Ambac to pay amounts due under any policies, contracts, or other obligations that have been allocated to the Segregated Account or to which any of the Allocated Subsidiaries is a party.

5. Consistent with paragraphs 1 and 9 of this Order, all policyholders and/or counterparties whose policies or contracts have been allocated to the Segregated Account, or who are counterparties to contracts with an Allocated Subsidiary (including without limitation in each case noteholders and any other persons claiming by or through such policyholders and/or counterparties), are enjoined and restrained from asserting market quotation, mark-to-market loss or "closeout amount" claims under or in relation to such policies or contracts, including financial guarantee insurance policies executed in connection with credit derivative master agreements, and are enjoined and restrained from commencing or prosecuting any actions, claims, lawsuits, administrative or other proceedings against the Segregated Account, against the Allocated Subsidiaries, against Ambac in relation to the Segregated Account, or against the Rehabilitator. Wis. Stat. § 645.05(1)(d), (f), (k).

6. All persons and entities are hereby enjoined and restrained from: (i) taking any action to exercise any approval, consent, direction, voting, veto, or other right (the "Rights") that the Segregated Account or the Allocated Subsidiaries may have (or that the Segregated Account, the Allocated Subsidiaries or Ambac would have but for the occurrence of the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account) under any agreements relating to policies or contracts allocated to the Segregated Account or contracts with any Allocated Subsidiary, including any credit derivative transaction agreements (including credit default swaps), interest rate or currency rate swap agreements, basis swap agreements, total return swap agreements, indentures, trust deeds, collateral management or administration agreements, credit or loan agreements, residential mortgage-backed security transaction documents, guarantee investment certificates, custodial account agreements, note purchase agreements, or other financing or transaction documents of any kind (collectively,

“Transaction Documents”); or (ii) willfully failing to take any action directed to be taken (including any direction to omit to take action) under any Transaction Documents pursuant to the exercise by the Rehabilitator of such Rights that the Segregated Account or the Allocated Subsidiaries may have (or that the Segregated Account, the Allocated Subsidiaries or Ambac would have but for the occurrence of the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account) Wis. Stat. § 645.05(b), (d), (g), (k). For the avoidance of doubt, this paragraph does not enjoin or restrain any servicer (including any master servicer, sub-servicer or special servicer) from servicing underlying collateral to the extent it would be permitted to do so under the applicable Transaction Documents (without regard to the occurrence of the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account).

7. All persons and entities are enjoined and restrained from withholding or failing to pay or setting-off premiums or other payments (including without limitation recoveries, reimbursements, interest, deferred interest, and default interest) owed (or that would have been owed but for the occurrence of the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account) to the Segregated Account, any Allocated Subsidiary or the Ambac General Account under or in connection with policies or contracts allocated to the Segregated Account, or contracts with an Allocated Subsidiary or any Transaction Documents associated therewith or related thereto. Wis. Stat. § 645.05(1)(g), (k); Wis. Stat. § 645.56(2)(d). A party’s withholding or set-off of premiums or payments owed under or in connection with any of the aforementioned documents may result in the future disallowance or decrease of such party’s claims.

8. All directors, trustees, officers, employees, agents or representatives, if any, of the Segregated Account, any Allocated Subsidiary, or the Ambac General Account are hereby enjoined and restrained from paying any claims or obligations of the Segregated Account or an Allocated Subsidiary without the consent of the Rehabilitator or his authorized representatives. Wis. Stat. § 645.05(b); Wis. Stat. § 645.07.

9. In recognition of the complex nature of these Proceedings, and for the avoidance of doubt, the following specific relief is hereby granted, the enumeration of which is intended to assist parties affected by the Proceedings to understand in detail how the more general provisions of this order may apply to their specific policies or contracts, and shall in no way limit the effect of the more general provisions of this order:

A. Credit Default Swaps: The Court has been advised by the Commissioner that among the policies, contracts, and contract liabilities allocated to the Segregated Account are financial guaranty insurance policies executed in connection with and/or as part of credit derivative transactions. Generally under such transactions, an issuer and trustee entered into an agreement pursuant to which a special purpose entity issued notes (the "Reference Obligations") secured by collateral, including without limitation mortgage-backed or other asset-backed securities. Certain entities (which may also have been purchasers of the Reference Obligations) entered into credit derivative transactions with Ambac Credit Products, LLC or one of the other Allocated Subsidiaries. Each of these credit derivative transactions (hereinafter "Credit Default Swaps") is governed by an ISDA Master Agreement, Schedule to the Master Agreement, and one or more confirmation(s) with respect to such Reference Obligation (the "Credit Default Swap Documents"). In connection with certain Credit Default Swaps, Ambac issued financial guaranty insurance policies (as a "Credit Support Provider"), now allocated to the Segregated Account, guaranteeing the obligations of its subsidiary under the Credit Default Swaps (each a "CDS Policy" and together the "CDS Policies"). For the purposes of this Paragraph 9(a), CDS Policies shall not include any policy that guarantees the obligations of Ambac Credit Products, LLC under a Credit Default Swap (i) entered into with a Settling Counterparty (as defined in Paragraph 14 below) and (ii) with respect to which a forbearance agreement is in full force and effect.

In furtherance of the other injunctive relief granted above, all holders of CDS Policies (together, the "CDS Counterparties") are specifically enjoined from: (i) taking any action under or in connection with (x) Section 6(a) or 6(b) of the

ISDA Master Agreement governing any Credit Default Swap entered into with Ambac Credit Products, LLC, including without limitation declaring an Event of Default, Potential Event of Default, or Termination Event or designating an Early Termination Date, and (y) Section 2 of the ISDA Master Agreement under such Credit Default Swap to suspend any payments due from such counterparties; and (ii) taking any action under or in connection with the Credit Default Swap that such CDS Counterparty would be contractually obligated to refrain from taking, or failing to take any action under or in connection with the Credit Default Swap that such CDS Counterparty would be contractually obligated to take, in each case but for the occurrence of an Event of Default or Termination Event (as defined in the applicable Credit Default Swap Documents) where an Allocated Subsidiary or Ambac is (or would be) the defaulting party or affected party, including without limitation:

1. Regardless of the occurrence or continuance of an Event of Default, Potential Event of Default or Termination Event, a CDS Counterparty shall not, without the prior written consent of the Rehabilitator (in the case of a Credit Default Swap to which Ambac is a party) or the Allocated Subsidiary (in the case of a Credit Default Swap to which such Allocated Subsidiary is a party), take or omit to take any action, or consent or withhold its consent, or otherwise exercise or refrain from exercising any rights, in each case in respect to matters that any holder of the Reference Obligation is entitled to take (or omit to take) action, give (or withhold) consent, or exercise (or refrain from exercising) rights as such holder, including without limitation the following:
 - (a) the timing and/or circumstances of redemption of such Reference Obligation at maturity or otherwise;
 - (b) the timing and/or determination of the amount of interest, principal, or other amounts payable in respect of such Reference Obligation from time to time; or
 - (c) any other action that is subject to any vote, approval, consent, or other action of any holder of a Reference Obligation, or to resolution by any holder of such Reference Obligation, whether or not such action would also require the consent of other persons.
2. Regardless of the occurrence or continuance of an Event of Default, Potential Event of Default, or Termination Event, no CDS Counterparty shall fail to cause all of the holders of a principal amount of such Reference Obligation equal to the Reference Obligation Notional Amount (as defined in the applicable Credit Default Swap Documents) thereof to act in accordance with the timely instructions of the Rehabilitator or an Allocated Subsidiary,

as the case may be, in taking or failing to take actions, giving or withholding of consent, or the exercise or non-exercise of the rights of such holder.

3. No CDS Counterparty shall fail, with respect to the Reference Obligation, to provide to the Rehabilitator or the Allocated Subsidiary, as the case may be, copies of trustee's or noteholder's reports, notices, or other formal communications relating to the Reference Obligation promptly upon, or in any event within five business days of, receipt thereof by such CDS Counterparty.
4. Each trustee, collateral manager, issuer, and administrator with respect to a Reference Obligation appearing in the list attached to the Plan of Operation that accompanies the Commissioner's Verified Petition is enjoined from taking any instruction to accelerate, liquidate or foreclose on the collateral underlying such Reference Obligation, including termination of derivatives forming part of such collateral without the prior written consent of the Rehabilitator.

B. Residential Mortgage-Backed Securities ("RMBS"): The Court has been advised that a number of policies allocated to the Segregated Account cover RMBS that Ambac insured directly. RMBS are described in more detail in the Commissioner's Verified Petition and supporting brief. In furtherance of the other injunctive relief granted above, each party to the agreements pursuant to which the notes, certificates or other instruments (the "RMBS Notes") were issued and the other transaction documents related thereto (collectively, the "RMBS Transaction Documents") is specifically enjoined from:

1. Taking any action to (i) declare or cause an acceleration or Event of Default under the applicable RMBS Notes; (ii) effect a transfer, assignment, termination, foreclosure, or liquidation of the collateral underlying such Notes (other than servicing of the underlying mortgage notes and related loans by the mortgage loan servicer (including any master servicer, sub-servicer or special servicer) in accordance with the RMBS Transaction Documents) without regard to the occurrence of the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account; (iii) impede, impair, restrict, or delay the delivery of information, reports, data, or mortgage loan files required to be provided to or requested by Ambac pursuant to the RMBS Transaction Documents; or (iv) impede, impair, restrict, or delay the exercise by the Rehabilitator in his own right under the RMBS Transaction Documents or as "controlling party" or "control party" (or a term with similar effect, howsoever designated, under such agreements), notwithstanding the

occurrence of an "insurer default" (or a term with similar effect, howsoever designated, under such agreements); or

2. Willfully failing to take any action (i) to cause payments of premium and other amounts due relating to the applicable policies or RMBS Notes, including without limitation recoveries, reimbursements, interest, deferred interest and default interest, without setoff or diminution in connection with the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account; (ii) in regard to the servicer (including any master servicer, sub-servicer or special servicer), to continue to service the underlying mortgage notes and related loans in accordance with the RMBS Transaction Documents without regard to the occurrence of the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account; (iii) to provide or cause to provide such information, reports, data and mortgage loan files required to be provided to or requested pursuant to the RMBS Transaction Documents; or (iv) as directed by the Rehabilitator as "controlling party" or a term with similar effect, howsoever designated under the RMBS Transaction Documents, including without limitation directions in connection with the transfer of servicing; provided however, that the Segregated Account may provide to any Trustee under any RMBS Transaction Documents, to the extent such agreements permit such Trustee to request the same, reasonable indemnity to the Trustee in connection with any such direction, such indemnity to consist of an administrative claim in an amount to be determined by the Rehabilitator, subject to Court approval, with any amounts owing to the Trustee pursuant to such indemnity (to the extent allowed by this Court in the event of a dispute between the Rehabilitator and such Trustee) to be treated as an administrative cost within the meaning of Wis. Stat. § 645.68(1).

C. Other Structured Finance Transactions: The Court has been advised that a number of policies allocated to the Segregated Account relate to other transactions Ambac insured involving various types of securitizations, including commercial asset-backed transactions (where the subjects of the securitization are commercial or intellectual property such as pharmaceutical royalties or film rights), consumer asset-backed transactions (where the subjects of the securitization are student loans, auto loans, or rights to other consumer-related payments), and other types of structured transactions. In these transactions, Ambac typically was granted "control rights" that include rights to consent to, or withhold consent to, any amendments, modifications, or waivers of the terms of the transactions or actions under the transaction documents, rights to declare or waive events of default, termination events, rapid amortization events,

or similar events, as well as rights to direct the exercise of remedies following an event of default.

In connection with such other structured finance transactions under which notes, certificates, or other instruments (the "ABS Notes") are insured by a policy allocated to the Segregated Account (*see* Exhibit C to the Plan of Operation, which is attached at Tab 1 to the Commissioner's Verified Petition), and in furtherance of the other injunctive relief granted above, each Trustee and other transaction party (including without limitation issuers, borrowers, lenders, collateral agents, administrative agents, collateral administrators, swap counterparties, policyholders, and noteholders) is specifically enjoined from:

1. Taking any action to (i) declare an acceleration or Event of Default, Amortization Event, Rapid Amortization Event, Suspension Event, Termination Event, Early Amortization Event, or other similar event, howsoever designated, under the applicable ABS Notes and other transaction documents relating thereto (collectively, the "ABS Transaction Documents"); (ii) exercise rights and remedies arising from or related to the ABS Transaction Documents, or exercise other rights and remedies that, but for the occurrence of the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account, would be exercisable at the request or direction of, or with the consent of, Ambac; (iii) effect an acceleration, termination, foreclosure, or liquidation of the ABS Notes or the collateral underlying or securing such ABS Notes (other than servicing of the collateral underlying or securing such ABS Notes by the servicer (including any master servicer, sub-servicer or special servicer) to the extent such actions would otherwise be permitted without the consent of Ambac as control party pursuant to the documentation governing such servicer's obligations without regard to the occurrence of the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account); (iv) impede, impair, restrict, or delay the delivery of information, reports, data, or other files or access to information required to be provided to Ambac pursuant to the ABS Transaction Documents; or (v) modify, amend, waive, usurp, assume, limit, interfere with, impede, impair, restrict, delay, or fail to give full effect to the exercise by the Segregated Account of its rights as "controlling party," "series enhancer," "insurer," or "controlling secured party" (or term with similar effect, howsoever designated, under the ABS Transaction Documents) or any other rights and powers afforded to Ambac, the "controlling party," "series enhancer," "insurer," or "controlling secured party" notwithstanding the occurrence of an "insurer default" or "Ambac Default" (or term with similar effect, howsoever designated, under the ABS Transaction Documents); or

2. Willfully failing to take any action (i) to cause payments of premiums and other amounts due pursuant to the ABS Transaction Documents or other agreements relating to the applicable policy or the ABS Notes, including without limitation recoveries, reimbursements, interest, deferred interest, and default interest, without setoff or diminution in connection with the Events, the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account, or the existence of any Event of Default, Rapid Amortization Event, Termination Event, Early Amortization Event, or other similar event, howsoever designated, under the applicable ABS Transaction Documents; or (ii) as directed by Ambac as “controlling party,” “series enhancer,” “insurer,” “controlling secured party,” or term with similar effect, howsoever designated, under the ABS Transaction Documents; provided however, that the Segregated Account may provide to the Trustee under any ABS Transaction Documents, to the extent such agreements permit it to do so, reasonable indemnity to such Trustee in connection with any such direction, such indemnity to consist of an administrative claim in an amount to be determined by the Rehabilitator, subject to Court approval, with any amounts owing to the Trustee pursuant to such indemnity (to the extent allowed by this Court in the event of a dispute between the Rehabilitator and Trustee) to be treated as an administrative cost within the meaning of Wis. Stat. § 645.68(1).

D. Juneau and Aleutian Investments LLCs’ Notes: The Court has been advised that a number of policies allocated to the Segregated Account relate to assets of, and notes issued by, Juneau Investments, LLC (“Juneau”) and Aleutian Investments, LLC (“Aleutian”). Juneau and Aleutian are finance companies that issued medium term notes (the “MT Notes”) to fund purchases of debt securities. Ambac insured the payment of principal and interest by Juneau and Aleutian under the MT Notes, and also insured payments under most of the debt securities purchased by Juneau and Aleutian. Ambac also insures the obligations of subsidiary Ambac Financial Services, LLC, which entered into interest rate swap agreements with Juneau and Aleutian through which Juneau and Aleutian hedged their exposures to fluctuations in currency exchange rates and interest rates (“Related Derivatives”).

In connection with the policies allocated to the Segregated Account that insure the MT Notes and certain assets owned by Juneau and Aleutian, and in furtherance of the other injunctive relief granted above, Citibank N.A. as trustee and securities intermediary is specifically enjoined from taking the following actions without the prior written consent of the Rehabilitator: (i) making payments in respect of the MT Notes or Related Derivatives other than payments at such times and in such amounts as would otherwise be required absent the occurrence of a Surety Event (as defined in the relevant transaction documents);

and (ii) taking any action to effect a foreclosure or liquidation of the collateral underlying such MT Notes.

E. Leveraged Leases: The Court has been advised that some of the policies allocated to the Segregated Account relate to leveraged lease transactions in which an owner trust entered into a series of transactions to purchase depreciable property from an entity (typically a transit authority or electrical power cooperative) and lease it back to the seller, with Ambac guaranteeing the seller/lessee's lease payments. Due to downgrades in Ambac's credit ratings, lessors currently have the right to terminate the leveraged leases and seek early termination damages.

In connection with the policies issued in leveraged lease transactions that have been allocated to the Segregated Account, and in furtherance of the other injunctive relief granted above, each party thereto (including without limitation, equity investors, equity participants, owners, owner trusts, owner trust trustees, note trustees, lenders, lessors, credit default swap counterparties, payment undertaking agreement providers, and equity defeasance providers) is specifically enjoined from: (i) asserting that an event of default, termination event, or other event entitling such person or entity to terminate a transaction or any portion thereof or otherwise exercise a right or remedy has occurred in connection with any such transaction, including without limitation taking any action to declare an event of default under the applicable lease or declaring a default or termination event under any applicable credit default swap; (ii) making any demand for any payment pursuant to any party's assertion that any such event of default or termination event occurred; and (iii) failing to give effect to any right accorded to Ambac or any affiliate thereof in connection with the issuance of policies allocated to the Segregated Account under any of the documents and agreements governing such transactions or withholding premiums or other payments, including without limitation recoveries, reimbursements, interest, deferred interest, and default interest, owed under or with respect to such policies.

F. Ambac-Insured Swaps: The Court has been advised that among the policies and contracts allocated to the Segregated Account are policies executed as a part of interest rate, basis, total return, and/or currency swap or other swap transactions. Most of such policies related to transactions in which issuers of interest-bearing bonds entered agreements with financial institutions to effectively fix the interest rate on the bonds. Among the policies allocated to the Segregated Account are policies that insure the issuers' obligations under such swap agreements.

In furtherance of the other injunctive relief granted above, each financial institution party to a swap agreement insured by Ambac (where the counterparty is not Ambac Financial Services, LLC or Ambac Credit Products, LLC) allocated to the Segregated Account (*see* Exhibit C to the Plan of Operation, which is attached at Tab 1 to the Commissioner's Verified Petition) is specifically enjoined from (i) taking any action under or in connection with Section 6(a) or 6(b) of the

relevant ISDA Master Agreement (including the schedule and confirmation(s) forming a part thereof) (the "Swap Agreement"), as heretofore amended or modified, including without limitation declaring an Event of Default, a Potential Event of Default, or a Termination Event (each such term as defined in the Swap Agreement) or designating an Early Termination Date (as defined in the Swap Agreement); (ii) taking any action under or in connection with the Swap Agreement that such party would be contractually obligated to refrain from taking, or failing to take any action under or in connection with the Swap Agreement and any related documents, agreements, and/or policies that such party would be contractually obligated to take, in each case but for the occurrence of an Event of Default, Potential Event of Default, or Termination Event (as defined in the applicable Swap Agreement) and/or the Events or the financial condition of the Segregated Account, the Allocated Subsidiaries, or the Ambac General Account, including without limitation withholding premiums, recoveries, reimbursements, interest, deferred interest, default interest, and any other payments owed under or with respect to the Swap Agreement and any related documents, agreements, and/or policies; and (iii) making any demand for any payment on the relevant counterparty to such Swap Agreement or the credit support provider for such counterparty, or exercising any rights in respect of any collateral or security for the performance of such counterparty's obligations under the Swap Agreement, pursuant to any party's assertion that any such Potential Event of Default, Event of Default, or Termination Event occurred.

10. Any person or entity violating the terms of this Order may be subject to the sanctions contained in Wis. Stat. § 601.64, including civil forfeiture and criminal penalties. Wis. Stat. § 645.07(4). Willful violation of this Order may also constitute good cause for the Commissioner to void or limit any policy or other contract obligations otherwise owed by the Segregated Account or an Allocated Subsidiary to the party violating this Order, including partial or full disallowance of claims.

11. The injunctive relief granted by this Order shall issue without the posting of any bond by the Rehabilitator and his Special Deputy Rehabilitator. Wis. Stat. § 645.08(1).

12. This Order shall remain effective until further order of the Court. If any interested parties believe any portion of this Order is unwarranted by the facts or the law, such parties may seek modification or dissolution of part or all of this Order by filing a written motion with this Court no later than 90 days following the issuance of this Order. If one or more such

timely motions are received, the Court may set a schedule for responsive briefing and a hearing regarding the modifications or dissolutions sought. The originals of any such motions shall be filed with the Dane County Circuit Court (with courtesy copies mailed to the undersigned, care of the Clerk of the Lafayette County Circuit Court) and served on counsel for the Commissioner.

13. Notwithstanding anything set forth in the foregoing provisions of this Order enjoining actions, claims or lawsuits or the moratorium on making payments on account of policies or contracts allocated to the Segregated Account without the consent of the Rehabilitator (but without prejudice to paragraph 5 hereof prohibiting any assertion of any market quotation, mark-to-market or close-out loss), policyholders or other claimants should submit their notices of claim or similar demands for payment pursuant to the procedures and service requirements specified in their policies or contracts and those notices of claim or other similar demands for payment shall be tracked and recorded by the Rehabilitator or his authorized representatives so that they may be processed for payment pursuant to the terms and conditions specified in whatever form of final plan of rehabilitation is approved by this Court following notice and hearing. CDS counterparties may not trigger and submit mark-to-market claims, but may submit scheduled payment claims.

14. Ambac has entered into a non-binding Statement of Intent with certain financial institutions (the "Settling Counterparties") that are parties to credit default swap agreements with Ambac Credit Products, LLC and corresponding financial guarantee policies issued by Ambac (together the "CDS Contracts") and certain other types of policies and agreements with Ambac pursuant to which it is anticipated that, upon completion and execution of the definitive agreements necessary to give effect to, and effectuate, the presently non-binding Statement of Intent, those policies or other contracts shall be commuted on the terms and conditions agreed to

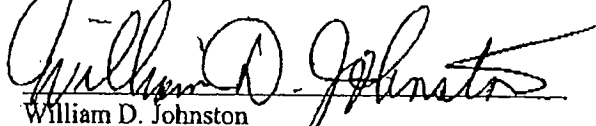
by and between the Settling Counterparties and Ambac. Each such policy or other contract between a Settling Counterparty and Ambac for which there is a written forbearance agreement (a "Forbearance Agreement") in place remains in the Ambac General Account. If a policy of a Settling Counterparty which was initially allocated to the Segregated Account due to the failure of a Forbearance Agreement to be in full force and effect with respect to such policy later becomes covered by a Forbearance Agreement, such a policy may then be allocated to the Ambac General Account at such time as a Forbearance Agreement becomes in full force and effect with respect to such policy. The Forbearance Agreements establish an initial 60-day standstill period during which the parties to the Forbearance Agreement may not commence any litigation, lawsuit, or other legal process with respect to the CDS Contracts at issue and those financial institutions may not designate an early termination date, accelerate, liquidate, close out, terminate, assess or demand damages or termination, make-whole or other payments under, withhold or set off payments under, alter the payment terms of, demand collateral in respect of, or otherwise exercise remedies or enforcement rights in respect of one or more transactions to which Ambac or Ambac Credit Products, LLC is a party. After the standstill period, any party to the Forbearance Agreement at issue may proceed as permitted thereunder. For the avoidance of doubt, a Settling Counterparty shall not be subject to the injunctive relief enumerated under Paragraphs 5, 7, and 9(a) with respect to contracts or policies under which its rights are subject to a Forbearance Agreement, for as long as such Forbearance Agreement remains in full force and effect.

15. The Rehabilitator may consent to actions or failure to act which would otherwise be enjoined or restrained by this Order.

16. The Rehabilitator may petition this Court for such other or further relief as he deems appropriate as this rehabilitation proceeds.

Dated this 24th day of March, 2010.

BY THE COURT:



William D. Johnston
Lafayette County Circuit Court Judge,
Presiding by Judicial Assignment Order