
In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

NOTICE OF SUPPLEMENT TO MANAGEMENT SERVICES AGREEMENT

PLEASE TAKE NOTICE that the Office of the Wisconsin Commissioner of Insurance, as the court appointed Rehabilitator of the Segregated Account of Ambac Assurance Corporation (the "Segregated Account"), has supplemented the Management Services Agreement between the Segregated Account and Ambac Assurance Corporation ("Ambac"), as management services provider (attached to the Verified Petition at Tab 1, Ex. A), in the manner and to the extent described herein and in the attached Affidavit of the Rehabilitator's Special Deputy, Kimberly A. Shaul. This Notice follows up on the Rehabilitator's report on the management of the rehabilitation at the June 4, 2010 status conference, in order to keep the Court, policyholders, and the public informed regarding the management of the Segregated Account, the extent of delegation of various management duties, and the provision of services by the Rehabilitator.

Pursuant to Wis. Stat. § 645.33(2), the Rehabilitator has "all the powers of the officers and managers [of the insurer], whose authority shall be suspended, except as they are redelegated by the rehabilitator." The Management Services Agreement outlines the scope of the redelegation and the general framework for the relationship between the Rehabilitator and Ambac in regard to management of the Segregated Account. (Shaul Aff. ¶ 2.) In order to make it more useful for routine governance, both the Rehabilitator and Ambac recognized the desirability of further refining the agreement to fill gaps and to address the day-to-day division of tasks and exercise of authority. (*Id.*) To that end, the Rehabilitator and Ambac have



collaborated to reach additional understandings regarding Ambac's role as management services provider for, and under the control of, the Rehabilitator and OCI. (*Id.* ¶¶ 3-4.)

First, as noted at the June 4 hearing, the Rehabilitator developed Guidelines of Authority under the Management Services Agreement with Ambac. (Shaul Aff. ¶ 3.) The Guidelines lay out procedures, tasks, and the need for, and level of the approvals needed from OCI for various types of actions. (*See id.* & Ex. 1.)

Second, in July of this year, OCI and Ambac conferred and agreed regarding certain principles that will guide their relationship under the Management Services Agreement. (Shaul Aff. ¶ 4.) Those principles primarily relate to establishing and maintaining objectives consistent with Chapter 645 in the provision of management services for the Rehabilitator, the accountability of Ambac as management services provider to meet those objectives, and development of strategies in furtherance of these purposes. (*Id.*)

The understandings described in this Notice and the Shaul Affidavit do not supersede or amend the Management Services Agreement attached to the Verified Petition in this matter. (Shaul Aff. ¶ 5.) They are intended and viewed by the Rehabilitator to be complementary refinements and clarifications regarding the provision of services by Ambac to the Rehabilitator under the Management Services Agreement. (*Id.*)

Dated this 19th day of August, 2010.

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