

3. I have worked for the State of Wisconsin for 25 years, serving in a variety of leadership, management, and professional positions with OCI and the Departments of Health Services, Administration (including the State Budget Office), Revenue, Public Instruction, Corrections, and Transportation.

4. I graduated from Lawrence University with a double major in Government and Spanish, and have a Masters Degree in Public Administration from the La Follette Institute at UW-Madison.

5. My statements in this affidavit are based on personal knowledge and information, and are offered in support of the Rehabilitator's accompanying motion for approval to authorize Ambac to purchase certain surplus notes pursuant to three call options (the "Motion"). As noted in the Motion, Ambac is required to obtain advance approval by OCI before purchasing the Surplus Notes (as defined in the Motion). Ambac requested that approval and, after studying the situation and the request, OCI granted it subject to the Rehabilitation Court granting the Rehabilitator's Motion. OCI's approval for Ambac to purchase the Surplus Notes was granted on May 15, 2012.

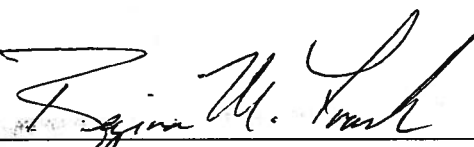
6. OCI evaluated the request to purchase the Surplus Notes with the assistance of the Special Deputy Commissioner and the outside professional advisors we are using in regard to Ambac and the Segregated Account. OCI concluded that the purchase of the Surplus Notes through the exercise of the options is in the best interest of policyholders of both the Segregated Account and General Account of Ambac.

7. Two key assumptions of the OCI analysis described above are that (i) holders of Segregated Account policy claims will receive partial payments in cash, and (ii) the unpaid balance of each policy claim that is not paid in cash (the "Non-Cash Consideration") will be

treated as *pari passu* with the Surplus Notes. Pursuant to their terms, the Surplus Notes expressly require the approval of OCI before any payment of any principal or interest on the Surplus Notes. Thus far, OCI has not approved the payment of any principal or interest on the Surplus Notes. Copies of the letters from OCI disapproving the payment of principal and interest on the Surplus Notes are attached as **Exhibit A**.


8. Since the Surplus Notes expressly require the approval of OCI before any payment of principal or interest can be made on the Surplus Notes, the *pari passu* treatment of the Surplus Notes and Non-Cash Consideration depends upon whether OCI approves payments on the Surplus Notes in amounts commensurate with payments of Non-Cash Consideration to Segregated Account policyholders in the rehabilitation proceeding. OCI has determined that it will treat the Surplus Notes as *pari passu* with Non-Cash Consideration to Segregated Account policyholders in the rehabilitation proceeding, and accordingly, will approve payments on the Surplus Notes in amounts commensurate with payments of Non-Cash Consideration in the rehabilitation proceeding.

Dated this 15th day of May, 2012.



Regina Frank

Subscribed and sworn to before me
this 15th day of May, 2012.



Notary Public, State of Wisconsin
My Commission: is permanent

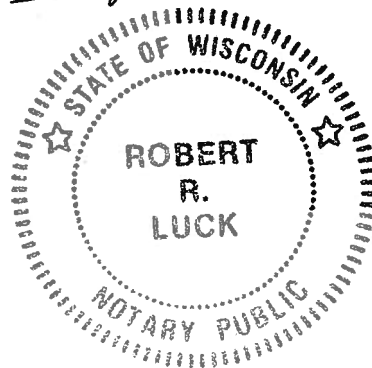


EXHIBIT A



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

May 15, 2012

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Roger A. Peterson
Special Deputy Commissioner
The Segregated Account of Ambac Assurance Corporation
c/o Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004

Dear Mr. Peterson:

This Office is in receipt of your letter dated April 23, 2012 concerning the upcoming Scheduled Interest Payment Date with respect to each of the following surplus notes issued by the Segregated Account of Ambac Assurance Corporation (the "Issuer"):

- 1) 5.1% surplus note scheduled to mature on June 7, 2020, issued on July 29, 2010 in the principal amount of \$50,000,000; and
- 2) 5.1% surplus note scheduled to mature on June 7, 2020, issued on March 14, 2011 in the principal amount of \$3,000,000 (such note, together with the note described in the preceding clause 1, the "Surplus Notes").

The Surplus Notes require the Rehabilitator, acting for and on behalf of the Issuer, to seek the approval of the Wisconsin Commissioner of Insurance (the "Commissioner") to make each payment of interest on and principal of the Surplus Notes on each scheduled payment date. As indicated in your letter, the Scheduled Interest Payment Date (as defined in the Surplus Notes) occurs on June 7, 2012 and interest in the aggregate amount of \$5,107,451.53 will have accrued on the Surplus Notes from the respective issuance dates until such Scheduled Interest Payment Date (the "Accrued Interest Amount"). Accordingly, your letter requests the approval of the Commissioner to pay the Accrued Interest Amount due on the Surplus Notes on June 7, 2012.

Your request to pay the Accrued Interest Amount due on the Surplus Notes on June 7, 2012 is hereby disapproved. As previously indicated, the Rehabilitator is continuing to evaluate certain tax, regulatory and appellate litigation issues relative to the Plan of Rehabilitation for the Segregated Account, and accordingly, that Plan has not yet been put into effect. In light of this uncertainty, among other reasons, the Commissioner has determined that it is in the best interest of policyholders as a whole to withhold the payment of accrued interest on the Surplus Notes.

If you have questions regarding this notice, please contact Steve Junior at (608) 267-4388.

Sincerely,

Regina M. Frank, Administrator
Division of Regulation and Enforcement