

September 6, 2012

ATTORNEYS AT LAWVEREX 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.comWRITER'S DIRECT LINE
608.258.4206
mvansicklen@foley.com EMAIL**HAND DELIVERED**Jody Baux
Ambac Clerk, Dane County Circuit Court
Dane County Courthouse
215 South Hamilton Street
Madison, Wisconsin 53703Re: *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 Statement of Clarification Regarding the Policy Claim Rules Governing Interim Cash Payments on Policy Claims (Posted and Effective as of August 1, 2012). All parties-in-interest on the service list will be served with the statement by email, and the statement will promptly be posted on the Court-approved website.

Please note that this filing is informational and does not require court approval or the scheduling of a hearing.

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)

In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

**REHABILITATOR'S STATEMENT OF CLARIFICATION REGARDING THE
POLICY CLAIM RULES GOVERNING INTERIM CASH PAYMENTS ON POLICY
CLAIMS (POSTED AND EFFECTIVE AS OF AUGUST 1, 2012)**

**By the Commissioner of Insurance of the State of Wisconsin,
as Rehabilitator of the Segregated Account of Ambac Assurance Corporation**

On August 1, 2012, the Rehabilitator put into effect and posted on the court-approved website the Rules Governing the Submission, Processing and Partial Payment of Policy Claims in Accordance with the June 4, 2012 Interim Cash Payment Order (the "Policy Claim Rules"). At Exhibit B, the Policy Claim Rules include a Proof of Policy Claim Form for policyholder claimants to use (the "Claim Form"). Policyholders have been submitting claims using the Claim Form in accordance with those Policy Claim Rules.

It has come to the Rehabilitator's attention that several policyholder claimants have added language to the Claim Forms they have submitted which purports to assert, in differently worded variants, various legal positions and/or reservations of rights respecting the claim process, the rehabilitation proceeding and the meaning of language in the Policy Claim Rules. Please note that the Rehabilitator regards such purported reservations of rights or other qualifying statements added to the Claim Forms as untimely, improper in form and of no legal effect. None of the claimants who are submitting such statements submitted an objection to the Rehabilitator's motion regarding the interim cash payments or the process described by the Rehabilitator in that motion for issuing the Policy Claim Rules governing the submission of

policy claims. Additionally, as indicated in the rehabilitation court filings, the proposed form of the Policy Claim Rules (with the Claim Form) was circulated in draft form for comment to the various institutional policy trustees and those parties did not raise any substantive issues in those communications about the Policy Claim Rules or the form of the Claim Form before they became final and were put into effect by the Rehabilitator. The Rehabilitator also finds such statements in those Claim Forms to be improper because they purport to reserve to certain individual claimants more or different types of rights and protections than what exists as to the claimants who do not expressly assert such statements in their claim submissions.

Notwithstanding the foregoing, the Rehabilitator hereby takes this opportunity to restate the protections afforded all claimants equally. As expressly set forth at paragraph 13 of the Rehabilitator's motion regarding interim cash payments dated May 16, 2012, neither that motion nor the submittal by policyholders of claims in conformity with the Policy Claim Rules shall be interpreted by the Rehabilitator as mooted any of the issues relating to the rehabilitation that are presently pending and fully briefed before the Wisconsin Court of Appeals.

Additionally, certain claimants have expressed concern regarding the assignment of rights paragraph at page 3 of the Proof of Policy Claim Form attached to the Policy Claim Rules at Ex. B, and, in particular, the phrase that such assignment of rights in the Proof of Policy Claim Form is "in addition to, and not in limitation of, rights of subrogation and/or reimbursement otherwise available to Ambac or the Segregated Account in respect of such payments." The assignment of rights paragraph at page 3 of the Proof of Policy Claim Form is not intended by the Rehabilitator to grant Ambac or the Segregated Account an assignment with respect to any amounts in excess of the amount of the policy claim paid in cash by Ambac or the Segregated Account. Note, however, that the assignment does not limit any previously executed assignment

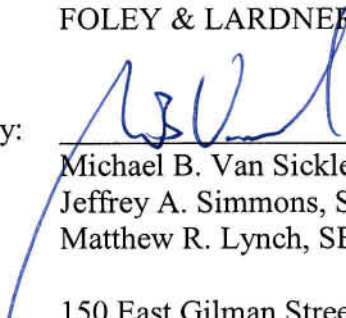
to the Segregated Account or Ambac or any other rights of subrogation, reimbursement and/or recovery available to Ambac or the Segregated Account in respect of such payments.

As the Rehabilitator's representatives have advised each of the several claimants which have purported to assert different forms of reservation of rights or statements of legal positions in their claim forms, the Rehabilitator and his management services provider (Ambac) will continue to process the claims as if the improper reservations or statements of legal positions were not included in the Claim Forms, and will treat such statements as being null, void and of no legal effect.

Dated this 6th day of September, 2012.

FOLEY & LARDNER LLP

By:



Michael B. Van Sicklen, SBN 1017827
Jeffrey A. Simmons, SBN 1036747
Matthew R. Lynch, SBN 1066370

150 East Gilman Street
Post Office Box 1497
Madison, Wisconsin 53701
Telephone: (608) 257-5035
Facsimile: (608) 258-4258

*Attorneys for Commissioner of Insurance of
the State of Wisconsin, as Rehabilitator of the
Segregated Account of Ambac Assurance
Corporation*