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February 27, 2013

**VIA FACSIMILE**

Mr. Carlo Esqueda  
Clerk of Circuit Court  
Dane County Circuit Courthouse  
215 S. Hamilton Street  
Madison, WI 53703

Re: *In re the Matter of the Rehabilitation of: SEGREGATED ACCOUNT OF AMBAC ASSURANCE CORPORATION*  
Dane County Circuit Court Case No. 10-CV-1576

Dear Mr. Esqueda:

Please find attached for filing the following documents:

Response By U.S. Bank National Association, Solely In Its Trustee Capacity, To Motion For An Order Determining And Declaring The Proper Construction Of AMBAC Policy Nos. AB1003BE, AB1022BE, AB1049BE, AB1065BE, and AB1088BE And Directing The Rehabilitator To Make Payments Consistent With That Construction On The Pended Claims Submitted On Those Policies

By copy of this letter, counsel of record is being served with the above materials by e-mail. Thank you for your attention to this matter. If you have any questions, please free to contact me.

Very truly yours,

**MICHAEL BEST & FRIEDRICH LLP**

Nathan L. Moenck

NLM/fmw

Enclosures

cc: Honorable William D. Johnston  
All Counsel of Record

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In the Matter of the Rehabilitation of:  
SEGREGATED ACCOUNT OF  
AMBAC ASSURANCE CORPORATION

Case No. 10 CV 1576

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**RESPONSE BY U.S. BANK NATIONAL ASSOCIATION, SOLELY  
IN ITS TRUSTEE CAPACITY, TO MOTION FOR AN ORDER DETERMINING  
AND DECLARING THE PROPER CONSTRUCTION OF AMBAC POLICY NOS.  
AB1003BE, AB1022BE, AB1049BE, AB1065BE, AND AB1088BE AND DIRECTING  
THE REHABILITATOR TO MAKE PAYMENTS CONSISTENT WITH THAT  
CONSTRUCTION ON THE PENDED CLAIMS SUBMITTED ON THOSE POLICIES**

U.S. Bank National Association serves as trustee (in such capacity, the “Trustee”) for five residential mortgage-backed securitization trusts generally referred to as the Chevy Chase Funding LLC Series 2006-2, 2006-3, 2006-4, 2007-1 and 2007-2 Trusts (each, a “Trust” and collectively, the “Trusts”). Each of the Trusts is governed by a Pooling and Servicing Agreement (each, a “PSA” and collectively, the “PSAs”). *See* Notice of Motion and Motion for an Order Determining and Declaring the Proper Construction of Ambac Policy Nos. AB1003BE, AB1022BE, AB1049BE, AB1065BE, and AB1088BE and Directing The Rehabilitator To Make Payments Consistent With That Construction On The Pended Claims Submitted On Those Policies (“Motion”), at 5; Affidavit of Iain H. Bruce, dated January 18, 2013 (“Bruce Aff.”), ¶ 7. Each PSA is a binding agreement pursuant to which the Trustee administers the Trust. *See* Motion at 5; Bruce Aff., ¶ 7. As explained in the Motion, the Trustee is “responsible for the receipt and distribution of funds flowing through the trusts *according to the terms of the PSA* for each Transaction.” Motion at 5 (emphasis added).

The crux of the Motion is the proper interpretation of the definition of the term “Deficiency Amount” in Article I of each PSA. *See* Motion ¶ 5 at 6; ¶28 at 19. At its core, the Motion requests that the Court either: (a) read into the end of the definition of the term

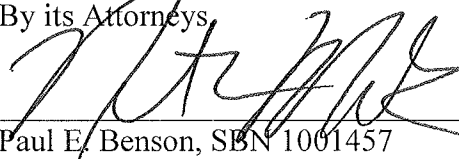
“Deficiency Amount” in Article I of each PSA the following phrase: “and all Write Down Amounts deducted from the Certificate Principal Balance of the Class A-II Certificates and the Class A-NA Certificates” or (b) amend the PSAs to include that phrase at the end of the definition of “Deficiency Amount” in Article I of each PSA. *See* Motion ¶¶ 16-17 at 12; ¶28 at 19.

After due consideration, the Trustee takes no position as to whether the Court should: (a) confirm that the PSAs shall continue to be administered in accordance with the terms currently set forth therein; or (b) amend, reform and/or modify the PSAs to add the following phrase at the end of the definition of the term “Deficiency Amount” in Article I of each PSA: “and all Write Down Amounts deducted from the Certificate Principal Balance of the Class A-II Certificates and the Class A-NA Certificates.”

The Trustee notes for the Court’s convenience that the Trustee currently understands the terms “to the extent unpaid” in subclause (ii) of the definition of “Deficiency Amount” to include Write Down Amounts.<sup>1</sup> Thus, notwithstanding any suggestion in the Motion to the contrary, the Trustee already intends to administer the Trusts in the manner requested by the Rehabilitator in paragraph 28 of the Motion (unless instructed otherwise by an amendment to the PSAs or by court order).

Respectfully submitted,

U.S. BANK NATIONAL ASSOCIATION, solely  
in its capacity as Trustee,  
By its Attorneys



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Paul E. Benson, SEN 1001457

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<sup>1</sup> For the avoidance of doubt, the Rehabilitator is not well positioned to assert the “intention” of the Trustee, or the other parties to the PSA, which include Chevy Chase Funding LLC as depositor and Chevy Chase Bank., F.S.B. as seller and servicer, on the basis of certain disclosure documents that were prepared by and on behalf of other non-party entities.

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Dated: February 27, 2013