

COPY

STATE OF WISCONSIN

CIRCUIT COURT

DANE COUNTY

In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

THIRD AFFIDAVIT OF IAIN H. BRUCE

FILED
MAR 18 2015
DANE COUNTY CIRCUIT COURT

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

Iain H. Bruce, being duly sworn, deposes and states as follows:

1. I am a Senior Managing Director in the Risk Group of Ambac Assurance Corporation (“Ambac”). My responsibilities include managing Ambac’s exposure to insured residential mortgage-backed securities (“RMBS”). My affidavit is submitted in support of the Rehabilitator’s Motion to Confirm and Declare Ambac’s Right to Reimbursement for Payments Made by the Segregated Account for Policy No. AB0921BE (the “Rehabilitator’s Motion”). Except where noted, the statements in this affidavit are based on my personal knowledge.

2. I have worked at Ambac since 1994. While my responsibilities and job descriptions have changed over the years, I have been part of the group within Ambac responsible for managing insured RMBS exposures from 1998 to 2006, and since 2009. During the time that I have been with this group, I have had a supervisory role with respect to RMBS transactions. In that role, I am familiar with the Policy, as well as the underlying RMBS transaction (“Transaction”) that resulted in the issuance of the Policy.

3. In February 2015, an in-house attorney for Hudson Advisors, LLC (“Hudson”) contacted an in-house attorney of Ambac and asserted that Ambac had received funds that belonged to the uninsured senior bondholders in the Transaction because Ambac was not entitled to be reimbursed according to the priorities expressly set forth in the pooling and servicing agreement (“PSA”) for the Transaction. The Hudson representative stated that Hudson believes Ambac is subrogated to the rights of the insured certificate holders and can only be reimbursed after the uninsured certificate holders receive their principal under the PSA. On March 11, 2015, I participated in a telephone conversation with that Hudson attorney and a trader from Lone Star Fund, the alleged owners of uninsured bonds, in which the lawyer again asserted Hudson’s view that Ambac is only subrogated to the rights of the insured certificate holders in the Transaction and therefore can only be reimbursed for claim payments made in respect of interest shortfalls, not principal shortfalls, before uninsured certificate holders receive principal payments. The Hudson representative contended that this result is dictated by the holding of the United States Court of Appeals for the Second Circuit in *Wells Fargo Bank, N.A. v. Financial Sec. Assur. Inc.* In the March 11 conversation, the Hudson representative requested that Ambac make a settlement payment to Hudson in order to avoid an interpleader lawsuit that Hudson might bring in order to assert the uninsured holders right to the diverted funds.

Dated this 17th day of March, 2015.


Iain H. Bruce

Sworn to before me this 17th day of
March, 2015.

Natalie Fernandez
Notary Public

My commission expires 8/29/15

NATALIE A FERNANDEZ
NOTARY PUBLIC-STATE OF NEW YORK
No. 02FE6247503
Qualified in New York County
My Commission Expires 8/29/15