



Michael P. Crooks  
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March 14, 2016

Honorable Richard G. Niess  
Circuit Judge, Branch 9  
Dane County Courthouse  
215 South Hamilton Street  
Madison, WI 53703

COPY

Re: *In the Matter of the Rehabilitation of: Segregated Account of Ambac Assurance Corporation*, Dane County Circuit Court Case No. 10-CV-1576\_

Dear Judge Niess:

My firm, along with co-counsel Chadbourne & Parke LLP, represents GoldenTree Asset Management L.P., Merced Capital L.P., Taconic Capital Advisors L.P, and Whitebox Advisors LLC (collectively, the “General Account *Ad Hoc* Policyholder Group”). The *Ad Hoc* General Account Policyholder Group is an interested party in the above-referenced matter, particularly with respect to the recently filed Amended Notice of Motion and Motion for Order to Show Cause (the “Motion”), which is currently scheduled to be heard on March 29, 2016 at 10:00 a.m., and wishes to appear in this matter and may seek to be heard on the Motion.

By way of background, the General Account *Ad Hoc* Policyholder Group, through certain of their respective managed or affiliated funds, collectively hold several billion dollars in par value of bonds that are insured by Ambac Assurance Corporation’s (“AAC”) General Account,<sup>1</sup> including more than \$3.3 billion of the Puerto Rico Sales Tax Financing Corporation (COFINA) Sales Tax Revenue Bonds, Series 2007A maturing 2054 (CUSIP No. 74529JAP0). These bonds are among the largest and longest-dated bonds insured by the General Account.

AAC’s Plan is intended to rehabilitate the Segregated Account while fully preserving policy claims against the General Account. Under the terms of the Plan, the Segregated Account has no assets except for an interest in a Secured Note and a Reinsurance Agreement from AAC, with all assets supporting such arrangements owned and held by the General Account. In essence, the Secured Note and the Reinsurance Agreement provide that assets of the General Account will be made available to pay Segregated Account claims. General Account policyholders are protected solely by covenants in both the Secured Note and the Reinsurance Agreement providing that the General Account is not required to make payment under either agreement to the extent such payment would reduce below \$100 million the surplus available to pay claims of General Account policyholders. However, these provisions, by definition, rely on projections regarding the expected future claims against the General Account. Any increase in payments to holders of

<sup>1</sup> Capitalized terms used in this letter shall have the meanings ascribed to them in the Plan of Rehabilitation, as Amended, for Ambac Assurance Corporation (the “Plan”).

PETERSON, JOHNSON & MURRAY, S.C.  
Attorneys at Law

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claims against the Segregated Account now correspondingly increases the risk that, in the future, the General Account may not be able to pay policyholders in full as is intended by the Plan.

The Motion seeks a dramatic and immediate increase—from 45% to no less than 83.6%—in the percentage of claims that will be immediately paid to creditors of the Segregated Account. Because my clients hold the longest dated bonds insured by the General Account, they would bear a significant portion of the risk imposed on the General Account if the Motion were to be granted. In that respect, the General Account *Ad Hoc* Policyholder Group is in a unique position to offer the Court a perspective that may not otherwise be adequately represented in connection with the Motion or otherwise in the course of resolving these proceedings. Consequently the General Account *Ad Hoc* Policyholder Group requests permission to appear as an interested party in the above-referenced matter. In furtherance of that request I am enclosing for filing:

- A proposed notice of appearance on behalf of the General Account *Ad Hoc* Policyholder Group; and
- *Pro Hac Vice* admission papers on behalf of the attorneys from Chadbourne & Parke LLP who will be acting as my co-counsel in this matter.

Thank you for your consideration of this matter. If you or your clerk have any questions, please do not hesitate to contact either me or Lawrence A. Larose of Chadbourne & Parke LLP (212-408-5405 or [llarose@chadbourne.com](mailto:llarose@chadbourne.com)).

Very truly yours,

PETERSON, JOHNSON & MURRAY, S.C.

  
Michael P. Crooks

MPC:taz

cc: All counsel of record (see attached service list)

## SERVICE LIST

Dilweg (Sean) v. Wells Fargo Bank, et al.  
Dane County Case No. 10-CV-1576

<p><b><u>Sean Dilweg</u></b> Michael B. Van Sicklen, Esq. 3862 Evans Quarry Road Dodgeville, WI 53533-9094</p> <p>David G. Walsh, Esq. Foley &amp; Lardner, LLP 150 East Gilman Street P.O. Box 1497 Madison, WI 53701-1497</p>	<p><b><u>Office of Commissioner of Insurance</u></b> Matthew R. Lynch, Esq. Jeffrey A. Simmons, Esq. Foley &amp; Lardner, LLP 150 East Gilman Street P.O. Box 1497 Madison, WI 53701-1497</p>
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<p><b><u>PNC Bank, NA</u></b>  <b><u>Customer Asset Protection Company</u></b>  John Franke, Esq.  Gass Weber Mullins, LLC  309 North Water Street, Suite 700  Milwaukee, WI 53202-5769</p>	<p><b><u>All Student Loan and Lloyds TSB Bank, PLC</u></b>  <b><u>Tricadia Capital Management, LLC</u></b>  Lawrence Bensky, Esq.  Law Office of Lawrence Bensky, LLC  10 East Doty Street, Suite 800  Madison, WI 53703-5105</p>