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May 12, 2016

HAND DELIVERED

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

RECEIVED
MAY 12 2016
DANE COUNTY CIRCUIT COURT

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

Dear Judge Niess:

Enclosed for filing are the following documents:

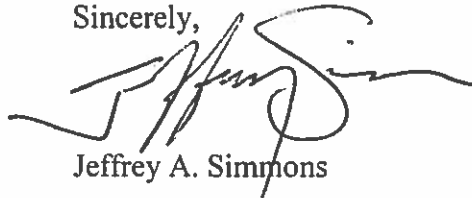
1. Application for Approval of the Engagement of Daniel J. Schwartz as a Consultant to Serve as Special Deputy Commissioner of the Segregated Account; and
2. A proposed Order.

All parties-in-interest on the service list are in the process of being served today with these documents by email, and the documents will be promptly posted on the Court-approved website.

If the Application meets with your approval, we ask that you enter the proposed order within five business of receipt of the Application.

Thank you for your attention to this matter.

Sincerely,



Jeffrey A. Simmons

Enclosures

cc: Counsel of Record (with enclosures, via email)

BOSTON
BRUSSELS
CHICAGO
DETROIT

JACKSONVILLE
LOS ANGELES
MADISON
MIAMI

MILWAUKEE
NEW YORK
ORLANDO
SACRAMENTO

SAN DIEGO
SAN FRANCISCO
SHANGHAI
SILICON VALLEY

TALLAHASSEE
TAMPA
TOKYO
WASHINGTON, D.C.

MAY 12 2016

In the Matter of the Rehabilitation of:

DANE COUNTY CIRCUIT COURT Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

**APPLICATION FOR APPROVAL OF THE ENGAGEMENT OF DANIEL J.
SCHWARTZER AS A CONSULTANT TO SERVE AS SPECIAL DEPUTY
COMMISSIONER OF THE SEGREGATED ACCOUNT**

The Wisconsin Commissioner of Insurance, as the court-appointed Rehabilitator of the Segregated Account of Ambac Assurance Corporation (the "Segregated Account"), pursuant to Wis. Stat. § 645.33(1), hereby submits the following Application for Approval of the Engagement of Daniel J. Schwartzer as a consultant to serve as the Special Deputy Commissioner of the Segregated Account. If this Application meets with the Court's approval, the Rehabilitator requests that within five business days the Court enter the Rehabilitator's proposed order approving the Application. The basis for this Application is as follows:

1. Section 645.33(1) of the Wisconsin Statutes authorizes the Rehabilitator to appoint a Special Deputy Commissioner to carry out the rehabilitation of an insurer.

2. Following the January 2011 approval of the Plan of Rehabilitation for the Segregated Account of Ambac Assurance Corporation, the Rehabilitator appointed Roger Peterson, an employee of the Office of the Commissioner of Insurance ("OCI"), as the Special Deputy Commissioner for the Segregated Account.

3. Subsequently, Mr. Peterson resigned from OCI and on July 8, 2011 this Court approved the engagement of Mr. Peterson as a consultant to serve as Special Deputy Commissioner, pursuant to Wis. Stat. § 645.33(1), so that Mr. Peterson could make the

rehabilitation of the Segregated Account the primary focus of his duties. (See July 8, 2011 Order Granting the Rehabilitator's Application for Approval of Engagement of Roger A. Peterson.)

4. In February of this year, Daniel J. Schwartzter succeeded Mr. Peterson as the Special Deputy Commissioner. (See Feb. 17, 2016 Notice of Substitution of Public Officers.) Mr. Schwartzter is currently serving this Special Deputy Commissioner role in addition to carrying out his existing duties as Deputy Commissioner of Insurance.

5. Mr. Schwartzter has served as the State's Deputy Commissioner of Insurance since 2011 and has had direct responsibility for oversight of all financial regulatory duties of the agency, which include, among other items, solvency assessment of domestic insurers, insurer liquidations, and insurer rehabilitations, including Ambac. He has taken a leading role for OCI in the oversight of both Ambac and the Segregated Account during that time. Mr. Peterson reported directly to Mr. Schwartzter and they communicated regularly regarding the status and progress of the rehabilitation. Since assuming the duties of Special Deputy Commissioner earlier this year, Mr. Schwartzter's involvement has expanded significantly to include responsibility for overseeing all aspects of the rehabilitation, more frequent and direct communications with the management services team for the Segregated Account, travel to Ambac's offices in New York, and making decisions on significant day-to-day issues as they arise.

6. The Rehabilitator has determined that the ongoing rehabilitation of the Segregated Account would be best served by Mr. Schwartzter devoting his time to his duties as Special Deputy Commissioner, rather than continuing to split his time between those duties and his other, substantial duties as Deputy Commissioner of Insurance.

7. One of the most important goals in this expanded role for the SDC is to improve the lines of communication with policyholders, policy beneficiaries and other interested parties so as to better inform the Rehabilitator's decision making. To that end, Mr. Schwartzer plans to hold one or more listening sessions with interested parties within 45 days of the Rehabilitation Court's approval of this Application. A separate communication setting forth details for these listening sessions will be sent out shortly.

8. The Rehabilitator and Mr. Schwartzer intend to enter into an agreement whereby Mr. Schwartzer would be engaged as an independent consultant to serve as Special Deputy Commissioner. The agreement is substantially identical to the consulting agreement approved by the Court for Mr. Peterson's engagement,¹ with the following material exceptions:

- a. Annual compensation is substantially reduced from \$600,000 to \$360,000 per year. The original contract with Mr. Peterson was at the mid-point of the salary range recommended by Robert E. Nolan Company, a consulting firm previously approved by the Court to advise the Rehabilitator on human resources and other operational aspects of the Segregated Account. Mr. Schwartzer's annual compensation would be less than the \$400,000 low-end of the salary range recommended by Robert E. Nolan Company. (*See* June 8, 2011 Application for Approval of Engagement of Roger A. Peterson, ¶ 14.)
- b. The Special Deputy Commissioner is not required to reside in the New York City area.
- c. No housing or moving expenses are provided.

- d. One-time compensation for start-up expenses is reduced from \$20,000 to \$10,000.
- e. Limitations regarding the consultant having interests in other business entities have been removed. However, the agreement requires Mr. Schwartzer to devote his primary business efforts and time to the performance of his duties as Special Deputy Commissioner.

9. No taxpayer money will be used to compensate Mr. Schwartzer under the agreement. If approved, Mr. Schwartzer will resign his present duties at OCI to work on matters pertaining to this rehabilitation, with his compensation payable as an administrative expense of the Segregated Account. The contract with Mr. Schwartzer would take effect upon his resignation from OCI.

CONCLUSION

For the reasons stated above, the Rehabilitator respectfully requests that the Court approve this Application for Approval of the Engagement of Daniel J. Schwartzer as a Consultant to Serve as Special Deputy Commissioner of the Segregated Account.

Dated this 12th day of May, 2016

FOLEY & LARDNER LLP

By: 

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

¹ A copy of Mr. Peterson's contract is available on the court-approved website www.ambacpolicyholders.com, "court filings" page, July 1, 2011 entry "Rehabilitator's Response"

STATE OF WISCONSIN

CIRCUIT COURT

COPY
DANE COUNTY

In the Matter of the Rehabilitation of:

Ambac Assurance Corporation

Case No.

RECEIVED

MAY 12 2016

DANE COUNTY CIRCUIT COURT

**ORDER APPROVING ENGAGEMENT OF DANIEL J. SCHWARTZER
AS A CONSULTANT TO SERVE AS SPECIAL DEPUTY COMMISSIONER**

IT IS HEREBY ORDERED that the Application for Approval of the Engagement of Daniel J. Schwartzer as a Consultant to Serve as Special Deputy Commissioner of the Segregated Account is hereby APPROVED.

Dated this ____ day of _____, 2016.

BY THE COURT:

Honorable Richard J. Niess
Circuit Court Judge