



November 14, 2017

**VIA ELECTRONIC FILING & HAND DELIVERED**

Hon. Richard G. Niess  
Dane County Courthouse  
215 S Hamilton St. #1000  
Madison, WI 53703

Re: *In re the Matter of the Rehabilitation of: Segregated Account of Ambac Assurance Corp.*; Dane County Circuit Court Case No. 10-CV-1576

Dear Judge Niess:

A group of investment funds that own COFINA bonds insured by a policy in the Ambac General Account (the "COFINA investors") have scheduled a motion for Friday, November 17, 2017 seeking to adjourn the dates of the Rehabilitation proceeding.<sup>1</sup> The motion seeks, in effect, to enjoin the Consensual Transaction, but without meeting the requisite elements of emergency relief; it should certainly *not* be considered on an expedited basis. The Rehabilitator respectfully requests that the Court cancel the November 17 motion hearing and consider the motion pursuant to this Court's Scheduling Order dated September 26, 2017.

There are multiple reasons why a motion hearing on November 17 cannot proceed:

1. There are more than 300 policies currently allocated to the Segregated Account; the holders or beneficiaries thereof should be allowed time to make their positions on an adjournment clear to the Rehabilitator because it would further delay the payment of Segregated Account claims and put the Consensual Transaction at risk for failing to meet deadlines in the RESA (*i.e.* January 14, 2018 to commence the hearing and April 15, 2018 to close the transaction).
2. The Special Deputy Commissioner overseeing the Rehabilitation, and its financial advisors from the Gordian Group and Jefferies, are currently in San Juan, Puerto Rico meeting with officials there as part of his due diligence to evaluate the economic status of the island and continue the ongoing assessment of durability. As a result, he will not be available to assist counsel to respond on short notice to the motion to adjourn.
3. Multiple parties contacted the Rehabilitator with questions and potential objections to the Motion to Further Amend the Plan of Rehabilitation; the

<sup>1</sup> COFINA is the name of a government-owned corporation of Puerto Rico also known as the Puerto Rico Sales Tax Financing Corporation. COFINA issued COFINA Bonds, in an original principal amount of \$800 million, that are paid with the proceeds of Puerto Rico's collection of sales and use taxes. These are capital appreciation bonds that mature in 2054. The bondholders have *no current losses nor have they made claims* under any Ambac policy.



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Scheduling Order in place was meant to establish an orderly process for interested parties to file objections, allow the Rehabilitator to respond, and then provide the Court the opportunity to rule on objections at the Pretrial Conference on December 14, 2017.

The COFINA bondholders ignored the Court's Scheduling Order and compounded the problem by failing to explain why their "objection" should be heard now, before all others. Simply stated, they should not be allowed their own hearing. There are also multiple issues implicated by this motion and the Rehabilitator reserves the right to raise all defenses, including objections to standing. It is thus an unnecessary burden at this time on all parties, the Court, and the Rehabilitator, to address objections piecemeal.

The Rehabilitator respectfully requests that the motion hearing set for this Friday be taken off the Court's calendar. Enclosed is a draft order for the Court's consideration that defers a decision on the COFINA bondholders' motion until the Pretrial Conference on December 14, 2017. If the Order meets with the Court's approval, please sign and enter it. The Rehabilitator will serve counsel and post the signed Order to the [www.ambacpolicyholders.com](http://www.ambacpolicyholders.com) website.

Very truly yours,

**MICHAEL BEST & FRIEDRICH LLP**



John D. Finerty, Jr.

JDF:sll

cc: All counsel of record (via Electronic Mail)

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