



KRAVIT ■ HOVEL & KRAWCZYK S.C.  
ATTORNEYS

STEPHEN E. KRAVIT  
[kravit@kravitlaw.com](mailto:kravit@kravitlaw.com)

TELEPHONE 414 ■ 271 ■ 7100  
825 NORTH JEFFERSON  
MILWAUKEE WISCONSIN  
53202 ■ 3737

FACSIMILE 414 ■ 271 ■ 8135  
[www.kravitlaw.com](http://www.kravitlaw.com)

January 22, 2018

**VIA ELECTRONIC MAIL**

Honorable Richard G. Niess  
Dane County Courthouse  
215 East Hamilton Street  
Courtroom 5109  
Madison, WI 53703

Re: *In the Matter of the Rehabilitation of: Segregated Account of Ambac Assurance Corporation: Sean Dilweg and Office of the Commissioner of Insurance v. Carlisle/Picatunny Family Housing L.P., et al*  
Dane County Circuit Court Case No. 10 CV 1576

**MHPI PROJECTS REVISED PROPOSED ORDER;  
MHPI SUBMISSION OF MARYLAND COURT DECISION**

Dear Judge Niess:

**Revised Proposed Order.** Enclosed and also e-filed is MHPI Projects “Order Revising Article 6.13 of the Second Amended Plan of Rehabilitation.” If this Court does not strike Article 6.13 entirely, this is MHPI Projects revised proposed order which should be entered.

**Maryland Court Order Received This Morning.** This morning the MHPI Projects received a final order from the Circuit Court of Anne Arundel County, Maryland, issuing an Amended Opinion and Order on the pending motions for summary judgment in *Meade Communities LLC v. Ambac Assurance Corporation*, Case No. C-02-CV-15-003745, (the “Meade Litigation”). This Amended Opinion and Order, a copy of which is attached, was entered after extensive discovery into the issues, full briefing by the Meade MHPI Project and Ambac, and a lengthy adversarial hearing on the parties’ cross motions for summary judgment, and holds

that an Ambac Default has occurred under the unambiguous terms of the relevant Meade MHPI Project loan documents.

In its January 22, 2018 Amended Order and Opinion, the Maryland Court ruled that as a result of how the segregated account was capitalized, a material portion of Ambac's assets were subject to taking by the Rehabilitator and thus an Ambac Default occurred under the specific terms of the Meade MHPI Project's loan documents. (1/22/2018 Am. Order & Opinion at 5 ("The value of Ambac assets impaired by the control of the Rehabilitator included a secured note for \$ 2 Billion, and an Excess of Loss Reinsurance Agreement that impaired all of the rest of Ambac's assets, save a minimum of \$100 Million. There can be no genuine dispute that such a significant impairment of a material portion of Ambac's assets constituted an 'Ambac Default' as defined Sec. 1.01 of Grantor Trust Agreement.")).

The Meade Litigation is noted in Exhibit 13, and was the first lawsuit related to the debt service reserve demand filed by Ambac in October 2015, originally filed by Ambac in federal court and voluntarily dismissed after the Meade MHPI Project moved to dismiss the federal lawsuit for lack of subject matter jurisdiction, and simultaneously filed a Maryland state declaratory action judgment against Ambac.

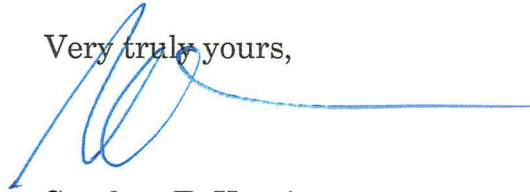
While the Maryland Court had previously ruled, in an October 20, 2017 Order, that Ambac's demand for cash funding of the debt service reserve was barred by the statute of limitations, that Order did not fully resolve the case, as Count V remained pending, which related to Ambac's refusal to consent to the Meade MHPI Project's Out-Year Development Plan. The Meade Project moved for Summary Judgment on Count V on the basis that Ambac had no consent rights over the Project's Out-Year Development Plan as a result of the occurrence of an Ambac Default. The Maryland Court's attached January 22, 2018 Amended Order and Opinion holds that an Ambac Default has "unambiguously" occurred and thus fully resolves this issue in the favor of the Meade MHPI Project.

Consistent with their prior arguments, the MHPI Projects believe that this Amended Order and Opinion must be respected by this Court under principles of comity and deference. Ambac initiated litigation in federal court involving this very issue against the Meade Project, it submitted this issue to the Maryland state court on summary judgment, and it is without question bound by the rulings of that Court. Confirmation of the Proposed Plan with Article 6.13, as drafted and proposed by the Rehabilitator, would interfere with proceedings occurring in other state forums, and, given this Order, would also directly interfere with a final order entered by a sister court.

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Thank you for your consideration of these two submissions prior to and at the hearing today.

Very truly yours,



Stephen E. Kravit

SEK:sjs  
Enclosures

cc: All parties by email and e-filing