

STATE OF WISCONSIN : CIRCUIT COURT : DANE COUNTY

---

**In the Matter of the Rehabilitation of the:**

**SEGREGATED ACCOUNT OF  
AMBAC ASSURANCE CORPORATION**

**Case No.: 10-CV-1576  
Hon. Richard G. Niess**

---

**MOTION FOR FINAL DECREE AND ORDER DISCHARGING THE  
REHABILITATOR**

---

The Commissioner of Insurance of the State of Wisconsin, as the Court-Appointed Rehabilitator (the “**Rehabilitator**”) of the Segregated Account (“**Segregated Account**”) of Ambac Assurance Corporation (“**Ambac**”), hereby moves the Court (the “**Motion**”) for an entry of a final decree (the “**Final Decree**”) and order discharging the Rehabilitator in the above-captioned case (the “**Rehabilitation**”). The Effective Date of the Second Amended Plan of Rehabilitation (the “**Second Amended Plan**”) occurred on February 12, 2018.

Whereas, as of the Effective Date: (a) the Rehabilitation has been terminated and the Rehabilitator has declared and posted Notice of the Effective Date as required under the Second Amended Plan; (b) property has been returned to Ambac’s possession; (c) Ambac has resumed the control of its business through the Merger of the Segregated Account with the General Account pursuant to the terms of the Second Amended Plan; (d) the Rehabilitator and the Special Deputy Commissioner, Daniel J. Schwartz (the “**SDC**”), appointed pursuant to Wis. Stat. § 645.33(1), may be discharged from their duties conferred upon them pursuant to Wis. Stat. Ch. 645.; and (e) all other conditions precedent have been satisfied and other administrative matters have concluded. Accordingly, in support of this Motion, the Rehabilitator states as follows:

## Findings of Fact and Conclusions of Law

1. On March 24, 2010, as a result of Ambac's financial position, the Court entered an order placing the Segregated Account into Rehabilitation pursuant to OCI's request under Wis. Stat. § 645.32.

2. Since that time, the Rehabilitator, appointed pursuant to Wis. Stat. § 645.33 to 645.35, and the Court-appointed SDC have carried out their duties and responsibilities under Wisconsin law in rehabilitating the Segregated Account, including the proposal of the Second Amended Plan in late 2017.

3. On January 22, 2018, the Rehabilitation Court issued an "Order Granting the Rehabilitator's Motion to Further Amend the Plan of Rehabilitation and Confirming the Second Amended Plan of Rehabilitation" (the "**Confirmation Order**") in this Rehabilitation.

4. Pursuant to the Second Amended Plan and the Confirmation Order, Ambac proceeded to close the Consensual Transaction and did so as of the Effective Date.

5. Article 5.2 of the Second Amended Plan outlined certain conditions precedent to the Effective Date of the Second Amended Plan, as follows:

(a) *Article 5.2(a). The Court must have entered the Approval Order.*

This condition has been satisfied. (*See Confirmation Order, entered on January 22, 2018.*)

(b) *Article 5.2(b). Ambac must have sufficient capital and claims-paying resources, as determined by the Rehabilitator.*

The Rehabilitator has concluded that this condition has been satisfied.

(c) *Article 5.2(c). All conditions of the Initial Exchange and the Exchange Offers shall have been satisfied or waived.*

This condition has been satisfied as the Consensual Transaction anticipated under the Second Amended Plan has indeed closed.

- (d) *Article 5.2(d). The Internal Revenue Service must provide the Rehabilitator, Ambac, and AFG with a satisfactory private letter ruling.*

This condition has been satisfied through the parties' receipt of a satisfactory private letter ruling from the Internal Revenue Service dated January 11, 2018.

- (e) *Article 5.2(e). Sidley Austin LLP must provide the Rehabilitator and Ambac a satisfactory tax opinion regarding tax treatment of various aspects of the Second Amended Plan and Consensual Transaction.*

This condition has been satisfied through Sidley Austin LLP's issuance of a satisfactory tax opinion letter dated February 12, 2018.

6. On February 12, 2018, upon the satisfaction of all conditions precedent to the Effective Date, the Consensual Transaction closed, and the Effective Date occurred.

7. On February 12, 2018, as required under Article 5.1 of the Second Amended Plan, the Rehabilitator posted a Notice to the Website advising interested parties of the Effective Date of the Second Amended Plan.

8. Other than the pending motion for reconsideration filed by the MHPI Projects (to be heard by the Court on April 2, 2018), there are no remaining motions or unresolved items for the Rehabilitation Court to decide in this case.

9. In the event of any appeal of the Confirmation Order or otherwise, this Rehabilitation Proceeding may remain administratively closed until such time as any appellate court may remand for further proceedings, at which time this Rehabilitation shall automatically be reopened.

10. All conduct and actions of the SDC, OCI, and all of their employees, agents, consultants, experts, legal counsel, accountants, and other advisors, including all distributions that they have made, are hereby approved. OCI shall retain its discretion to hire employees, agents, consultants, experts, legal counsel, accountants, and other advisors to carry out any duties

in connection with or related to the Rehabilitation going forward, including appeals or otherwise, without further approval or oversight by the Rehabilitation Court.

***Legal Basis for Relief Requested***

11. Wisconsin statute § 645.35(2) provides:

The rehabilitator may at any time petition the court for an order terminating rehabilitation of an insurer. If the court finds that rehabilitation has been accomplished and that grounds for rehabilitation under s. 645.31 no longer exist, it shall order that the insurer be restored to possession of its property and the control of its business. The court may also make that finding and issue that order at any time upon its own motion.

12. Because this case has been fully administered and the pleadings necessary to close the case are being filed with this Motion, this Rehabilitation should be closed. All that remains is for rehabilitated Ambac to continue making payments to stakeholders as described in the Second Amended Plan.

13. As such, the Rehabilitator respectfully requests that the Court discharge the Rehabilitator and the SDC, and terminate this Rehabilitation by entering the Final Decree.

**Conclusion**

Wherefore, the Rehabilitator respectfully requests that the Court enter a Final Decree closing this Rehabilitation Proceeding, and further discharge the Rehabilitator and the Special Deputy Commissioner from their duties pursuant to Wis. Stat. ch. 645.

Dated: March 19, 2018.

**MICHAEL BEST & FRIEDRICH LLP**

*Electronically signed by John D. Finerty, Jr.*

Ann Ustad Smith Bar No. 1003243

John D. Finerty, Jr. Bar No. 1018183

Justin M. Mertz Bar No. 1056938

Kimberly A. Streff Bar No. 1106358

100 E. Wisconsin Ave., Suite 3300

Milwaukee, Wisconsin 53202

Telephone: 414.271.6560

Facsimile: 414.277.0656

Email: [jdfinerty@michaelbest.com](mailto:jdfinerty@michaelbest.com)

*Attorneys for the Commissioner of  
Insurance of the State of Wisconsin, as the  
Court Appointed Rehabilitator of the  
Segregated Account of Ambac Assurance  
Corporation*

209666-0001\22629454.3