

In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

**REHABILITATOR'S REPORT REGARDING
CLOSING OF THE BANK GROUP SETTLEMENT**

TO: Honorable William D. Johnston, Presiding by Judicial Assignment
Lafayette County Circuit Court
Lafayette County Courthouse
626 Main Street
Post Office Box 40
Darlington, Wisconsin 53530-0040

PLEASE TAKE NOTICE that the Bank Group Settlement which was the subject of motions heard by this Court on May 25, 2010 (decided by written decision with Findings of Fact and Conclusions of Law on May 27, 2010) has been fully closed and consummated.

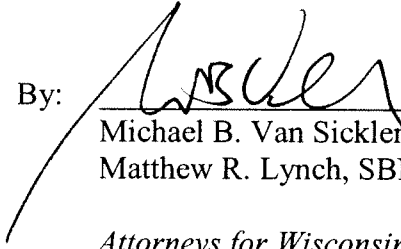
At the status conference before this Court on Friday, June 4, 2010, the undersigned reported that OCI was guardedly optimistic that the Bank Group Settlement would close and be consummated the following Monday, June 7, 2010. The undersigned is pleased to be able to report that the Settlement did, in fact, get closed and consummated on Monday, June 7, 2010.

See the attached Second Affidavit of OCI's Roger Peterson.

Dated this 10th day of June, 2010.

FOLEY & LARDNER LLP

By:


Michael B. Van Sicklen, SBN 1017827
Matthew R. Lynch, SBN 1066370

David G. Walsh
Michael B. Van Sicklen
Matthew R. Lynch
150 East Gilman Street
Post Office Box 1497
Madison, Wisconsin 53701
Telephone: (608) 257-5035
Facsimile: (608) 258-4258

*Attorneys for Wisconsin Office of the
Commissioner of Insurance and
Sean Dilweg, Commissioner of Insurance of the
State of Wisconsin, as Rehabilitator of the
Segregated Account of Ambac Assurance
Corporation*

Kevin G. Fitzgerald
Andrew A. Oberdeck
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
Telephone: (414) 271-2400
Facsimile: (414) 297-4900

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Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

**SECOND AFFIDAVIT OF ROGER A. PETERSON
Director of the Bureau of Financial Analysis and Examinations
For the Wisconsin Office of the Commissioner of Insurance**

STATE OF WISCONSIN)
) ss.
DANE COUNTY)

Roger A. Peterson, being first duly sworn on oath deposes and states as follows:

1. I am the Director of the Bureau of Financial Analysis and Examinations for the Wisconsin Office of the Commissioner of Insurance (“OCI”), where I have worked for more than 20 years. During that time, I have had extensive, increasing regulatory responsibilities in regard to Ambac Assurance Corporation (“Ambac”). In carrying out my duties, I have had direct access to confidential financial records and other information regarding Ambac.


2. I previously executed an affidavit dated May 19, 2010 which was submitted in this Court by counsel for OCI, as the Regulator of Ambac and the Wisconsin Commissioner of Insurance, as the Court-appointed Rehabilitator in this proceeding. That affidavit was offered in support of the positions of OCI and the Rehabilitator in regard to several issues raised by certain moving parties, including objections by a group of institutions holding bond interests with respect to the Las Vegas Monorail (the “LVM Bondholder Group”) and a group of several institutions holding notes pertaining to real estate mortgage-back securities (the “RMBS Note Holders”).

3. My prior affidavit focused on the proposed settlement between Ambac's general account and a group of 14 financial institutions with respect to a particularly troubled segment of Ambac's policy portfolio known as the ABS CDO exposures (referred to in my prior affidavit and here as the "Bank Group Settlement"). The Bank Group Settlement was detailed in my prior affidavit at paragraphs 16-37.

4. On Monday, June 7, 2010, the Bank Group Settlement was fully closed and consummated. Details about the closing of the Bank Group Settlement were reported by Ambac's parent company, Ambac Financial Group, Inc., in a Form 8-K Report to the Securities and Exchange Commission on June 8, 2010. That Report is publicly available through the Securities and Exchange Commission.

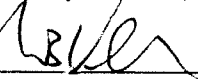
5. The motions by the LVM Bondholder Group and the RMBS Note Holders to temporarily enjoin the Bank Group Settlement are moot because that Settlement has been fully closed and consummated. There is nothing left to enjoin with respect to the Bank Group Settlement transaction.

Dated this 10th day of June, 2010.



Roger A. Peterson

Subscribed and sworn to before me this
10th day of June, 2010.



Notary Public, State of Wisconsin
My commission is permanent.