

STATE OF WISCONSIN

CIRCUIT COURT

DANE COUNTY

In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

AFFIDAVIT OF MATTHEW TOCKS
Head of Portfolio Strategy (Risk) for Ambac Assurance Corporation

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

Matthew Tocks, being first duly sworn on oath deposes and states as follows:

A. BACKGROUND

1. I am the Head of Portfolio Strategy (Risk) at Ambac Assurance Corporation (“Ambac”). Ambac is the insurer of a film securitization facility (the “Facility”) entered into as of December 23, 2005 by The Weinstein Company LLC (“TWC”), certain lenders (the “Lenders”), including Morrigan TRR Funding LLC (“Morrigan”), which, on information and belief, is a wholly-owned subsidiary of Goldman Sachs Group, Inc. and is the only Lender currently in the transaction, HSBC Bank USA, National Association (the “Agent”), as administrative and collateral agent, The Weinstein Portfolio Funding Company LLC (“WPFC”), a bankruptcy-remote special purpose subsidiary of TWC, and Ambac. The Facility is described in more detail below. Certain of the liabilities under Certificate Guaranty Insurance Policy No. AB0960BE (the “WPFC Policy”), which insures the Facility, have been allocated to the above-captioned Segregated Account of Ambac (the “Segregated Account”).

2. I am familiar with the Facility and the agreements entered into as part of the Facility, WPFC and TWC. My current role in this matter is as the Ambac officer with primary responsibility for overseeing Ambac’s workout and restructuring efforts relating to the Facility. I was directly involved on behalf of the Segregated Account in the negotiation of the proposed settlement of the WPFC Policy which the Segregated Account intends to close with respect to the Facility (the “TWC Settlement”).

3. The statements in this affidavit are based on personal knowledge and information.

B. THE TWC TRANSACTION

4. TWC is an independent motion picture company founded in 2005. TWC's primary business is to develop, produce and distribute motion pictures in the United States and internationally. The Facility is a \$500 million film securitization pursuant to which TWC monetized the projected revenue streams to be derived from its existing library of films and obtained financing to develop, produce and distribute additional films. WPFC issued \$500 million in notes to the Lenders (the "Notes") and used the proceeds to acquire a library of films from TWC and to fund the acquisition of additional films from TWC. WPFC retained TWC to be the master distributor for its films.

5. Scheduled amortization of the Notes begins in January 2011 and final maturity is in January 2014. Pursuant to the TWC Policy, the Segregated Account of Ambac guarantees the timely payment of interest on the Notes and, in January 2016, the ultimate payment of principal of the Notes.

C. WPFC's FINANCIAL CONDITION

6. Viewed in the aggregate, the films transferred to WPFC have not generated the level of revenues or profits that TWC projected. Because the films have not performed as projected, the value of WPFC's film library, which is the collateral for, and source of repayment of, the Notes, is significantly less than the amount due on the Notes. As a result, the Notes are undercollateralized and the Segregated Account is exposed to a large expected loss on the TWC Policy.

7. Ambac believes that the undercollateralization is only likely to increase over time. A motion picture is a rapidly depreciating asset. In general, box office receipts are highest immediately after release of a film, and quickly trail off. Similarly, the opportunity to generate

cash flows from the release of a film in the home video/DVD, pay-per-view, pay TV and network/syndicated television markets are highest soon after release and then rapidly decline.

8. TWC's abilities to produce additional collateral and to conduct its business as the master distributor of WPFC's films are impaired. Based on audited financial statements, TWC has lost money in every year for which audited financial statements are available and has had negative cash flows from operations in each year since inception.

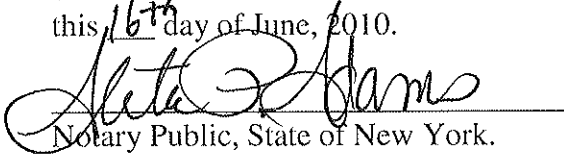
9. TWC began violating provisions of the Facility documents as early as 2006. Additional events of default have occurred since that time and are continuing. As a result of these defaults, Ambac and TWC entered into twenty-five amendment and waiver agreements, and engaged in detailed discussions over a period of approximately one year to restructure the Facility. Those discussions broke down and ended in March 2010.

10. To assist it in these negotiations, Ambac retained legal advisors who in turn retained Centerview Partners LLC ("Centerview"). Centerview is a global financial advisory firm with expertise in the analysis and valuation of assets such as WPFC's film library. Centerview performed a valuation of WPFC's film library in order to analyze the expected recovery from the portfolio. Centerview analyzed TWC's projections of the cash flows to be received from the films and adjusted them under a range of scenarios in which the Segregated Account would replace TWC as Master Distributor, the most likely case in the event the Segregated Account did not commute. Using the nominal values calculated in this manner, the likely amount of a claim under the TWC Policy in 2016 was discounted to its present value using a 5.1% discount rate. That discount rate is consistent with the rate Ambac used in its statutory accounting statements for 2009. Ambac has reviewed Centerview's analysis internally and with OCI and its advisors.

Dated this 16 day of June, 2010.


Matthew Tocks

Subscribed and sworn to before me
this 16th day of June, 2010.


Notary Public, State of New York.

My Commission:

ALITA P ADAMS
Notary Public, District of Columbia
My Commission Expires June 30, 2014

