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21 June 2010

Mr. Carlo Esqueda  
Dane County Clerk of Court  
Dane County Courthouse  
215 S. Hamilton Street  
Madison, WI 53703-3285

Re: In the Matter of the Rehabilitation of:  
Segregated Account of Ambac Assurance Corporation  
Dane County Case No. 10 CV 1576

Dear Mr. Esqueda:

Enclosed for filing in this Dane County Circuit Court case assigned to the Honorable William D. Johnston is a statement by Wells Fargo Bank in its capacity as Trustee for the benefit and protection of certain holders of Las Vegas Monorail Bonds ("Wells Fargo"). As provided in the enclosed statement, Wells Fargo is withdrawing certain of its motions filed on April 5, 2010 and retains one of its motions filed on that date.

A copy of this letter and the enclosed statement has been served on all counsel of record in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen L. Morgan", is written over a printed name. The signature is stylized and cursive.

Stephen L. Morgan

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Enclosure

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Ms. Catherine McGowan  
Lafayette County Clerk of Court  
21 June 2010  
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In the Matter of the Rehabilitation of:

Case No. 10-CV-1576

Segregated Account of Ambac Assurance Corporation

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**WELLS FARGO BANK'S PARTIAL WITHDRAWAL OF MOTION TO  
MODIFY TEMPORARY INJUNCTION AND TO INTERVENE, AND  
JOINDER IN LVM BONDHOLDERS' MOTION CHALLENGING  
ALLOCATION OF LVM BOND POLICY TO SEGREGATED ACCOUNT**

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Wells Fargo Bank, National Association ("Wells Fargo"), in its capacity as trustee for the benefit and protection of certain holders of Las Vegas Monorail Project Revenue Bonds (the "LVM Bondholders"), respectfully submits this partial withdrawal of its motion (the "Wells Fargo Motion") to modify the Order for Temporary Injunctive Relief (the "Temporary Injunction") entered on March 24, 2010, and joinder in the motion by the LVM Bondholders (the "LVM Bondholders' Motion") challenging the allocation of the LVM Bond Policy to the Segregated Account of Ambac Assurance Corporation ("Ambac").<sup>1</sup> Both the Wells Fargo Motion and the LVM Bondholders' Motion are scheduled to be heard by the Court on July 9, 2010.

**The Wells Fargo Motion**

On April 5, 2010, Wells Fargo filed its motion challenging the lawfulness of the creation of the Segregated Account on a number of grounds. Specifically, Wells Fargo argued that: (1) the transfer of the LVM Bond Policies to the Segregated Account without notice was an ineffective novation under Wisconsin law (Point I), (2) the Segregated Account is a nullity

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<sup>1</sup> Wells Fargo files this partial withdrawal and joinder as a result of a direction it received, on June 17, 2010, from the LVM Bondholders under the terms of their Indenture.

because it is not adequately capitalized as required by Wis. Stat. § 611.24(3) (Point II), (3) the Commissioner exceeded his statutory authority by creating the Segregated Account prior to placing Ambac in rehabilitation (Point III), and (4) the Commissioner violated the United States and Wisconsin Constitutions by taking the LVM Bondholders' property without providing just compensation or due process (Points IV.A and IV.B), and by improperly treating the LVM Bondholders differently from the other municipal bondholder insureds in violation of the Equal Protection Clause (Point IV.C). (*See* Brief by Wells Fargo Bank, National Association, in Its Capacity as Trustee for the Benefit and Protection of Certain Bondholders, in Support of Its Motion to Modify Temporary Injunction Order and to Intervene, filed Apr. 5, 2010.) Based on these arguments, Wells Fargo requested that the Court modify the Temporary Injunction, grant Wells Fargo leave to intervene, and return the LVM Bond Policy to Ambac's General Account.

#### **The LVM Bondholders' Motion**

On June 9, 2010, the LVM Bondholders filed their motion challenging the allocation of the LVM Bond Policy to the Segregated Account. In their motion, the LVM Bondholders argue that the Commissioner and Ambac have violated (1) Wisconsin's segregated account statute, by allocating policies to the Segregated Account based on the fact that the policies are in default (*i.e.*, by claim status) rather than by policy type, and (2) the Equal Protection Clauses of the United States and Wisconsin Constitutions, by allocating the LVM Bond Policy to the Segregated Account while leaving the vast majority of municipal bond policies in the General Account, thus impermissibly discriminating among substantially similar policies within the same class of insureds. (*See* Brief in Support of LVM Bondholders' Motion Challenging Allocation of LVM Bond Policy to Segregated Account, dated June 9, 2010.) The LVM Bondholders have also sought leave to intervene as of right in the event that the Court deems such intervention

necessary, and authorization to take discovery to the extent that Ambac or OCI indicate that they may offer evidence or ask the Court to make factual findings in connection with the motion.

**Wells Fargo's Partial Withdrawal of the Wells Fargo Motion and Joinder in the LVM Bondholders' Motion**

Wells Fargo hereby withdraws its pending motion to the extent that it advances arguments other than those contained in Point IV.C of Wells Fargo's brief – *i.e.*, that the Commissioner improperly treated the LVM Bondholders differently from the other municipal bondholder insureds, in violation of the Equal Protection Clause. Wells Fargo also hereby modifies the relief sought in its pending motion, so as to seek an order (i) declaring that the allocation of the LVM Bond Policy to the Segregated Account was unlawful; (ii) authorizing Wells Fargo to intervene as of right, to the extent the Court deems such intervention necessary, and to take discovery in connection with its motion; (iii) modifying the Temporary Injunction to the extent necessary to enable Wells Fargo to challenge the allocation of the LVM Bond Policy to the Segregated Account; and (iv) granting such other and further relief as is just and proper.

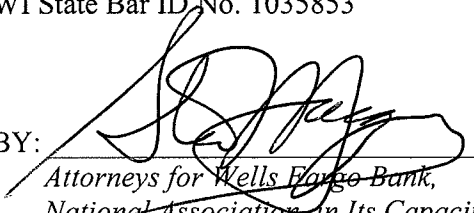
In addition, Wells Fargo hereby joins in the LVM Bondholders' Motion challenging the allocation of the LVM Bond Policy to the Segregated Account, and adopts the arguments in support of that motion advanced in the LVM Bondholders' brief dated June 9, 2010.

Dated this 21st day of June, 2010.

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BY:

  
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National Association, in Its Capacity  
as Trustee of the LVM Bondholders*

*Of Counsel:*

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