

In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

SEGREGATED ACCOUNT OF
AMBAC ASSURANCE CORPORATION

AFFIDAVIT OF THEA WATKINS IN SUPPORT OF LLOYDS TSB BANK plc
MOTION TO MODIFY TEMPORARY INJUNCTION AND TO INTERVENE

State of New York)
) ss
County of New York)

Thea Watkins, being first duly sworn, on oath, deposes and states as follows in this Affidavit:

1. I am over 21 and am competent to testify. If called, I would testify consistently with this Affidavit. All testimony is based on my own personal knowledge, unless otherwise noted.

2. I am a Senior Vice President at Lloyds TSB Bank plc (“Lloyds Bank”). Lloyds Bank acts as “Liquidity Provider” as defined in and as within the contemplation of that Second Supplemental Indenture, dated as of August 1, 2006, which supplements that certain Trust Indenture, dated August 1, 2005 (as so supplemented, the “Indenture”) between the JP Morgan Chase Bank, N.A. (the “Trustee” and/or “Tender Agent”) and Access to Loans for Learning Student Loan Corporation (“ALL Student Loan”). Note that in 2006, Lloyds was advised that The Bank of New York Mellon Trust Company, N.A. had acquired JP Morgan Chase Bank, N.A.’s Corporate Trust business and as such is currently acting as successor Trustee. Subsequent references to the Trustee are deemed to refer to Bank of New York Mellon Trust Company, N.A.

3. Pursuant to the Indenture, certain Senior Series V Bonds, V-A-3 through V-A-5, (the “Senior Series V Bonds”), were issued and are outstanding, the proceeds of which were used for financing of a Student Loan program that is administered by ALL Student Loan. When funds became insufficient to purchase the Senior Series V Bonds which were tendered by bondholders, Lloyds Bank, in its capacity as Liquidity Provider purchased such Senior Series V Bonds pursuant to its obligations under the Standby Bond Purchase Agreement dated August 1, 2006, among ALL Student Loan, the Trustee and Tender Agent and Lloyds Bank, and became owner of all of those Senior Series V Bonds.

4. I make this Affidavit in support of ALL Student Loan and Lloyds Bank’s June 21, 2010 Motion to Modify Injunction and to Intervene.

5. At the time Senior Series V Bonds, V-A-3 through V-A-5, were issued, Ambac Assurance Corporation (“Ambac”) issued a Financial Guaranty Insurance Policy (the “Policy”),

which insured payment of the principal and interest to the Trustee, for the benefit of the "Holders," of the "Obligations," i.e. the Senior Series V Bonds. As the owner of all of the Senior Series V-A-3 through V-A-5 Bonds, Lloyds Bank is the sole "Holder" under and within the contemplation of the Policy.

6. At the time they were issued, Standard & Poor's and Moody's assigned the Senior Series V Bonds their highest ratings of "AAA," and "Aaa", respectively, because they were insured by Ambac.

7. Lloyds Bank fully expected that, under the Policy, Ambac would make payments on the Policy when and if a claim became due, because Ambac had agreed to make such payments when Ambac issued the Policy for a substantial premium amount.

8. Lloyds Bank has not made a claim under the Policy to Ambac, ALL Student Loan, or the Trustee.

9. Unlike the mortgage-backed securities and credit-default swap guaranty insurance losses, ALL and Lloyds are wholly innocent with respect to its potential, future losses, as the only reason that there is any potential for losses against the ALL policies is the financial downfall of Ambac. More specifically, it was the deterioration in the financial condition and the subsequent downgrade of Ambac's credit rating that resulted in Lloyds, in its capacity as Liquidity Provider for the ALL Series V Bonds, purchasing such bonds from the existing bondholders, who were no longer comfortable with Ambac risk. The interest payable on bonds held by Lloyds was higher than that payable in the hands of the previous bondholders because it was designed to reflect the cost to Lloyds of funding the purchase, with the result that there was a deterioration in the Trust. Lloyds fully performed the obligations that it was contracted to do.



Thea Watkins

Subscribed and sworn to before me this 31st day of August, 2010

[Seal]



Notary Public

THOMAS ASCOLESI
Notary Public, State of New York
No. 01AS6089298
Qualified in New York County
Commission Expires May 17, 2014

Notary Public

My Commission Expires: *May 17, 2014*

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