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October 28, 2010

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CLIENT/MATTER NUMBER
092281-0101

Honorable William D. Johnston
Lafayette County Circuit Court
Lafayette County Courthouse
626 Main Street
Post Office Box 40
Darlington, WI 53530-0040

Re: *In the Matter of the Rehabilitation of Segregated Account of Ambac Assurance Corporation, Case No. 10 CV 1576 (Dane County Circuit Court)*

Dear Judge Johnston:

On behalf of the Wisconsin Commissioner of Insurance, as Rehabilitator of the Segregated Account of Ambac Assurance Corporation, we are writing to call your attention to what appears to be a one-digit typographical error in this Court's written decision of October 26, 2010, which we received by mail today.

Page 10 of the decision states, consistent with the evidence of record and the briefing of the Rehabilitator, that the secured note and reinsurance agreement give the Segregated Account "access to all of the assets of Ambac on par with the general account policyholders unless the payment of claims would cause Ambac's assets to fall below \$100,000,000.00, which is less than two percent of Ambac's claim paying assets." The next sentence, however, states that "[t]he net effect of this is that the Segregated Account is capitalized at 80 percent of Ambac's current assets." The percentages appear to be inconsistent, and we believe the Court may have intended to state that net effect is a capitalization of "98 percent" of Ambac's current assets (which would be consistent with the Rehabilitator's representations to the Court), rather than 80.

In the event that this was the case, we have enclosed a suggested order that would make this sole, simple correction to the record by replacing "80" with "98" in that sentence. Thank you for your attention to this matter, and apologize in advance if we have misread the Court's intent in its decision.



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By copy of this letter we are serving all counsel of record electronically, as well as Ms. Baux, the Dane County Clerk for these proceedings.

Very truly yours,

FOLEY & LARDNER LLP

A handwritten signature in blue ink, appearing to read 'Matthew R. Lynch', written over a horizontal line.

Matthew R. Lynch

Enclosure

cc: Counsel of Record (with enclosure, via email)
Jody Baux, Dane County Ambac Clerk (with enclosure, via U.S. Mail)

In the Matter of the Rehabilitation of:

Case No. 10-CV-1576

Segregated Account of Ambac Assurance Corporation

ORDER CORRECTING DECISION ON MOTIONS CHALLENGING THE LEGALITY OF THE ESTABLISHMENT AND STRUCTURE OF THE SEGREGATED ACCOUNT; THE CHALLENGES TO THE TEMPORARY INJUNCTION CONCERNING THE EXERCISE OF CONTROL RIGHTS, WITHHOLDING OF PREMIUMS AND OTHER OBJECTIONS; AND MOTIONS TO FORMALLY INTERVENE AS PARTIES TO THIS REHABILITATION ACTION

The Court corrects and hereby modifies its Decision on Motions Challenging the Legality of the Establishment and Structure of the Segregated Account; the Challenges to the Temporary Injunction Concerning the Exercise of Control Rights, Withholding of Premiums and Other Objections; and Motions to Formally Intervene as Parties to this Rehabilitation Action (the “Decision”), issued on October 26, 2010 in the above-captioned proceedings, as follows:

1. Page 10 of the Decision is hereby corrected to substitute the phrase “98 percent” for the phrase “80 percent.”
2. A corrected version of page 10 of the Decision, attached to this Order, shall be substituted for the original page 10 of the Decision in the record.

Dated this _____ day of _____, 2010.

BY THE COURT:

Honorable William D. Johnston
Lafayette County Circuit Court Judge
Presiding by Judicial Appointment

payment of Claims would cause Ambac's assets to fall below \$100,000,000.00, which is less than two percent of Ambac's claim paying assets. The net effect of this is that the Segregated Account is capitalized at 98 percent of Ambac's current assets despite having liabilities of less than 1000 of Ambac's 15,000 insurance policies. The OCI has exercised reasonable discretion in requiring the Segregated Account policyholders have access to virtually all of the resources available to pay their claims prior to the allocation of their policies to the Segregated Account. Under Wis. Stats. Sec. 611.24, the Segregated Account is to have an adequate share of the corporation's capital and surplus. No legal basis in this matter has been shown on which to require additional capitalization of the Segregated Account.

Challenges are made by movants to the injunction Paragraphs 6, 9, and 7, that the injunction generally creates and grants the Rehabilitator excessive authority. Wis. Stats. Sec. 645.05(1)(k) does empower the OCI to seek injunction relief against any threatened or contemplated action that might lessen the value of the insurer's assets or prejudice the rights of policyholders, creditors, or shareholders or the administration of the proceeding, and creates a broad array of injunctive relief in a rehabilitation action such as this. The Commissioner of Insurance is charged under Wis. Stats. Sec. 601.15 to act within the public interest, and its decisions are to be granted considerable deference by the Court. See Wis. Stats. Sec. 227.57(10).

The amendment movants seek of Paragraph 6 and 9 of the injunction order, the RMBS institutional trustees, would have the effect of lessening the value of the insurer's assets and prejudice the rights of policyholders and certainly would interfere with the administration of the proceeding within the contemplation and meaning of Wis. Stats. Sec. 645.05(1).

The Rehabilitator's ability to carry out his statutory duties, to manage the business of the insurer, to protect the insured's interests as well as the interests of the creditors and