
In the Matter of the Rehabilitation of:

Case No. 10 CV 1576 – I

SEGREGATED ACCOUNT OF AMBAC ASSURANCE CORPORATION

**SELECTED SUBJECT MATTER OF FACTUAL QUESTIONS OF ALL STUDENT LOAN,
LLOYDS TSB BANK PLC, FOR HEARING ON CONFIRMATION OF PLAN OF
REHABILITATION**

In response to this court's Scheduling Order issued October 20, 2010, Access to Loans for Learning Student Loan Corporation ("ALL Student Loan"), in its capacity as an Obligor and policyholder, under Financial Guaranty Insurance Policies ("The Policies") issued by Ambac Assurance Corporation ("Ambac") that have been placed into the Segregated Account, and Lloyds TSB Bank plc ("Lloyds Bank"), in its capacity as bondholder of various bonds issued by ALL Student Loan and purchased by Lloyds Bank and as a beneficiary of such Policies (hereinafter "Movants"), submit the following selected subject matter of factual questions that they may ask at the hearing scheduled for November 15-19, 2010 and continuing on to November 29-30, 2010, in order to object to the recent Plan of Rehabilitation filed by the Rehabilitator on October 8, 2010. In filing this Selected Questions List, Movants do not waive any previous objections or motions they have filed in respect to previous Orders of this Court or actions by the Rehabilitator, Ambac or the Commissioner of Insurance for the State of Wisconsin (the "Commissioner"). Rather, Movants maintain their objections that the actions by the Rehabilitator, Ambac and the Commissioner leading up to March 24, 2010 and since that date have severely and inequitably prejudiced their rights with respect to the three insurance policies placed into the Segregated Account as set forth in their June 22, 2010 Motion to Modify Temporary Injunction and Motion to Intervene. Movants further object to the continuation of these confirmation proceedings as

scheduled for the reasons set forth in the Petition for Permissive Appeal and Request for Stay of these proceedings now pending in the Wisconsin Court of Appeals, District IV, filed on November 3, 2010.

The list below of subject matter of selected factual questions the Movants may ask should not be deemed to and does not limit in any way the subject matter of questions Movants may ask at the confirmation hearing. Pursuant to the Scheduling Order, paragraph 2(c), Movants set forth the subject matter of selected factual questions the Movants may ask witnesses at the confirmation hearing.

1. Identification of documents utilized by the Commissioner or Ambac in authorizing the approval of the Segregated Account.
2. All alternatives analyzed by the Commissioner or Ambac before determining to utilize the Segregated Account.
3. All analyses performed by the Commissioner or Ambac of the current and future losses on the ALL policies, including paid, case reserve and IBNR reserve losses, before determining to allocate those policies into the Segregated Account.
4. All analyses performed by the Commissioner or Ambac of the current and future losses on all other policies that were allocated into the Segregated Account, including paid, case reserve and IBNR reserve losses, before determining to allocate all other policies into the Segregated Account.
5. All analyses performed by the Commissioner or Ambac of the current and future losses on all other policies that were not allocated into the Segregated Account, including paid, case reserve and IBNR reserve losses, before determining not to allocate those other policies into the Segregated Account.

6. Identification of documents prepared by or on behalf of Ambac or the Commissioner relating to their decision to allocate what the Disclosure Statement describes as the “fewer than 1,000 policies (representing approximately \$67 billion in net par outstanding)” to the Segregated Account prior to its approval of the Segregated Account.
7. Identification of documents prepared by or on behalf of Ambac or the Commissioner relating to their decision to keep what the Disclosure Statement describes as the “14,000 policies (representing over \$300 billion in net par outstanding)” in the General Account.
8. What analysis was done, if any, as to the projected payout if Ambac had been placed into liquidation instead of rehabilitation?
9. Did the Commissioner or Ambac make a determination as to whether there would have been the same assignment rights in liquidation as are set out in the Plan?
10. Does the Commissioner believe that he has the right in liquidation to take the collateral of Lloyds on the ALL policies to the same extent as in the Plan?
11. Identification of documents prepared by or on behalf of the Commissioner or Ambac which contained any analyses or conclusions by the Commissioner or Ambac regarding the decision to establish the Segregated Account. For example, the identification of pre-March 25, 2010 documents of Ambac or the Commissioner’s analysis and conclusions about how the Segregated Account had, on or about March 24, 2010, “an adequate amount of capital and surplus,” as required by Wis. Stat. § 611.24(3).
12. Please detail all actions taken and evidence supporting the actions in the section of the Disclosure Statement titled “Preventing Avoidable Losses and Unintended Consequences.” This should include all documents that support these steps as well as all details and evidence as to why some policyholders (e.g. Sonic, Hertz) would have lost employees if the

actions of the Commissioner were not taken as alleged by the Commissioner and Ambac.

13. Please detail all actions taken and evidence supporting the actions in the section of the Disclosure Statement titled "Providing an Equitable Solution."

14. Please detail all actions taken and evidence supporting the actions in the section of the Disclosure Statement titled "Rehabilitating a Segregated Account."

15. Please detail all actions taken and evidence supporting the actions in the section of the Disclosure Statement titled "Rejecting the Liquidation Option."

16. Please detail all actions taken and evidence supporting the actions in the section of the Disclosure Statement titled "Assessment Process for Student Loans."

17. Please detail all actions taken and evidence supporting the actions in the section of the Disclosure Statement titled "Provision for Capital and Surplus."

18. Please detail all evidence supporting the statements in the Disclosure Statement that "The Commissioner has determined that the capital and surplus of the Segregated Account provided through the Secured Note and Reinsurance Agreement is adequate and constitutes fair consideration within the meaning of Wis. Stat. § 645.03(d)."

19. Please state who drafted the Reinsurance Agreement set forth by the Commissioner as part of the Plan that allegedly supports the Plan of Operation? Does the Reinsurance Agreement have a "follow the settlements" clause? Does the Reinsurance Agreement have a "follow the fortunes" clause? What conditions are there in the Reinsurance Agreement for payment other than that the claim is covered under the policy?


20. Please state who drafted the Secured Note set forth by the Commissioner as part of the Plan that allegedly supports the Plan of Operation?

21. What conditions are there in the Secured Note for payment?

22. Identification of any and all “certificates of authority” of the Segregated Account.
23. Identification of documents responsive to any and all document requests by ALL or Lloyds.
24. Identification of documents responsive to any and all document requests by the RMBS bondholders.
25. Identification of documents responsive to any and all document requests by the LVM bondholders.
26. Identification of documents responsive to any and all document requests by any other interested party.
27. Please detail the losses behind the allegation on p. 59 of the Disclosure Statement that the RMBS Policies represent the largest category of Segregated Account exposures, accounting for 45% of all Policies and 63% of all net par outstanding allocated to the Segregated Account.
28. Please detail the losses behind the allegation on p. 59 of the Disclosure Statement that the student loan exposures represent 19% of all Segregated Account Policies and 24% of Segregated Account net par outstanding.
29. Please detail the total statutory loss reserves associated with defaulted Segregated Account Policies, as of June 30, 2010, of approximately \$1.7 billion, net of \$2 billion of benefits related to projected R&W Remediation recoveries relating to ongoing representation and warranty breaches in certain RMBS transactions, implying total Policy Claims associated with such Policies of \$3.8 billion, as alleged on p. 61 of the Disclosure Statement.
30. Please detail the basis for the Segregated Account Base Case Loss Estimates as alleged in the Disclosure Statement.

31. Please detail the basis for the Segregated Account Stress Case Loss Estimates as alleged in the Disclosure Statement.
32. Please detail the total outstanding paid claims associated with the General Account Policies, as of June 30, 2010
33. Please detail the total statutory loss reserves associated with General Account Policies, as of June 30, 2010.
34. Please detail the basis for the General Account Base Loss Estimates as alleged in the Disclosure Statement.
35. Please detail the basis for the General Account Stress Loss Estimates as alleged in the Disclosure Statement.
36. Please detail the basis for the four iterations, or scenarios, of the Rehabilitator's Financial Projections as alleged in the Disclosure Statement.
37. Documents containing specific analyses and conclusions regarding the reasons the three ALL Student Loan policies were allocated to the Segregated Account.
38. Documents containing specific analyses (including, for example, alternate scenarios) and conclusions regarding the scheduled payment of the principal amount of the Surplus Notes on or about June 7, 2020.
39. Movants reserve the right to ask any and all questions relating to their Written Objections filed simultaneously herewith.

November 8, 2010.

By 
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