

November 12, 2010

**Response of the Office of Chief Counsel
Division of Corporation Finance**

**Re: Segregated Account of Ambac Assurance Corporation
Incoming letter dated November 11, 2010**

Based on the facts presented, the Division's views are as follows. Capitalized terms have the same meanings as defined in your letter.

The Division will not recommend enforcement action to the Commission if the Segregated Account, in reliance on your opinion of counsel that the exemption under Section 3(a)(10) of the Securities Act of 1933 is available, issues Surplus Notes to holders of Claims pursuant to the Plan of Rehabilitation without registration under the Securities Act. In reaching this position, we have noted that:

- the Court will conduct a hearing on the fairness of the terms and conditions of the Plan of Rehabilitation, including the issuance of the Surplus Notes, to holders of Claims;
- the Court will approve the fairness of the terms and conditions of the Plan of Rehabilitation, including the issuance of the Surplus Notes, to holders of Claims before the Segregated Account issues Surplus Notes pursuant to the Plan of Rehabilitation;
- in your opinion as counsel, all prospective recipients of Surplus Notes under the Plan of Rehabilitation have received notice of the hearing regarding the Plan of Rehabilitation and will have the opportunity to be heard at the hearing, with no improper impediments;
- the Rehabilitator will advise the Court before the hearing that, if the Court approves the terms and conditions of the Plan of Rehabilitation, its confirmation of the Plan of Rehabilitation will constitute the basis for the issuance of the Surplus Notes under the Plan of Rehabilitation without registration under the Securities Act, in reliance on the exemption from registration provided by Securities Act Section 3(a)(10); and
- you have represented that the recent events discussed in Section III of your letter will have no effect on the issuance of the Surplus Notes, the amount or percentage

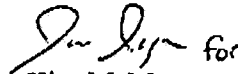
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of cash and Surplus Notes to be paid pursuant to the Plan of Rehabilitation, or the basis of the Section 3(a)(10) exemption.

This position is based upon the representations and opinions of counsel made in your letter to the Division. Any different facts or conditions might require a different conclusion. This response expresses the Division's position on enforcement action only and does not express any legal conclusions on the question presented.

Sincerely,

A handwritten signature in dark ink, appearing to read "Kim McManus", with the word "for" written to its right.

Kim McManus
Special Counsel