
In the Matter of the Rehabilitation of:

Segregated Account of
Ambac Assurance Corporation

Case No. 10 CV 1576

**[FREDDIE MAC'S AND THE RMBS POLICYHOLDERS' PROPOSED]
ORDER FURTHER MODIFYING PLAN OF REHABILITATION**

This matter came before the Court on the Motion of the Wisconsin Insurance Commissioner, as Rehabilitator ("Rehabilitator") of the Segregated Account (the "Segregated Account") of Ambac Assurance Corporation ("Ambac"), to confirm the Rehabilitator's proposed Plan of Rehabilitation (the "Plan") for the Segregated Account filed on October 8, 2010.

The Court, having issued its Decision and Final Order Confirming the Rehabilitator's Plan of Rehabilitation, with Findings of Fact and Conclusions of Law,

IT IS HEREBY FURTHER ORDERED, for the reasons set forth in the November 29, 2010 letters filed by the Federal Home Loan Mortgage Corporation ("Freddie Mac") and by Aurelius Capital Management, LP, Fir Tree, Inc., King Street Capital, L.P., King Street Capital Master Fund, Ltd., Monarch Alternative Capital, LP, and Stonehill Capital Management LLC (the "RMBS Policyholders"), that the Plan and the Disclosure Statement Accompanying the Plan of Rehabilitation (the "Disclosure Statement") shall be FURTHER MODIFIED as follows:

1. The Disclosure Statement, as amended by the Rehabilitator's November 12, 2010 Amendment No. 2 to the Disclosure Statement, is modified to add the following text to the end of the sixth paragraph of Section V.F. (beginning "As a potential solution to this issue"):

In addition, for the period between the establishment of the Segregated Account and confirmation of the Plan, the Rehabilitator will not object in the event that any trustees are able to apply any such excess cash flows in such period to offset losses relating to the Ambac-insured tranches(s) for such period rather than pay such excess cash flows directly to AAC.

2. The Plan is modified to add the following to Article 2 (“Treatment of Claims Generally”):

2.04 Shareholder Claims and Distributions to Shareholders. Until the Secured Indebtedness under the Secured Note and Reinsurance Agreement, and any surplus notes issued by the Segregated Account, have been indefeasibly paid in full, the Rehabilitator shall not approve any of the following actions by AAC (including its successors and assigns), directly or indirectly, without prior Court approval after such notice and a hearing as the Court prescribes: (i) declaring or making any dividend, payment, transfer or other distribution of cash, assets or property to AAC’s shareholder or with respect to any equity securities issued by AAC, whether now or hereafter outstanding; (ii) redeeming, purchasing or otherwise acquiring any equity securities issued by AAC or any option or other right to acquire any such equity securities; (iii) covenanting or otherwise arranging with any person (other than the Segregated Account) to directly or indirectly limit or otherwise restrict any dividend, advance or other payment or distribution (whether of cash or otherwise) to or for the benefit of AAC; (iv) offering, committing or agreeing to do any of the foregoing; or (v) providing any loans or guarantees to Ambac Financial Group, Inc., or any of its successors or assigns.”

3. The Plan is modified to add the following to Article 8 (“Discharge, Release and Injunction”):

8.03 Modification of Injunction. The Injunction is modified to permit the cancellation of Policies by policyholders in accordance with contractual rights under the Policies or applicable law.

WHEREFORE, IT IS HEREBY ORDERED that the Rehabilitator shall modify the Disclosure Statement and Plan as ordered above and promptly file the modified versions of the Disclosure Statement and Plan with this Court, post them on the Court-approved Web site and serve them on all counsel of record electronically.

Dated: _____

By THE COURT

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

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