

In the Matter of the Rehabilitation of:

Segregated Account of  
Ambac Assurance Corporation

Case No. 10 CV 1576

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**RMBS POLICYHOLDERS' NOTICE OF SUPPLEMENTAL EXHIBIT**

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**PLEASE TAKE NOTICE** that 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 (collectively, the “RMBS Policyholders”), by their attorneys, hereby submit, as a supplemental exhibit, the Notice of Debtor’s Application, Pursuant to Bankruptcy Code Sections 327(a) and 328(a), Bankruptcy Rule 2014(a) and Local Rule 2014-1, for Authorization to Employ and Retain Dewey & LeBoeuf LLP as Its Attorneys *Nunc Pro Tunc* to the Commencement Date, and the exhibits thereto (collectively, the “Counsel Retention Papers”), which were filed on December 6, 2010 in the Chapter 11 bankruptcy proceedings of Ambac Financial Group, Inc. (“AFG”) that are currently pending before the United States Bankruptcy Court for the Southern District of New York. The Counsel Retention Papers are attached hereto as Objectors’ Exhibit 73.

The Counsel Retention Papers are relevant, among other reasons, because the RMBS Policyholders have maintained throughout the rehabilitation proceedings that the Plan of Rehabilitation for the Segregated Account of Ambac Assurance Corporation is not fair and equitable because the ultimate effect of the proposed Plan is to preserve value for AFG–Ambac Assurance Corporation’s (“AAC”) shareholder and parent. (*See* D. Greenwald, Nov. 30, 2010

Hrg. Tr., at 58, 82-91.) As the RMBS Policyholders argued during closing, “[w]ithout additional capital infusion, AFG’s only hope for satisfying its bondholders is to extract value from AAC, value that should be preserved solely for AAC policyholders.” (*Id.* at 85.) That result would violate the absolute priority rule of Wis. Stat. § 645.68, which requires that policyholders’ claims be satisfied in full before any AAC value is paid to AAC’s shareholder.

Eliminating any dispute on this point, the Counsel Retention Papers filed in the bankruptcy of AAC’s parent confirm that AAC plans to benefit its shareholder, AFG, to the detriment of Segregated Account policyholders. In Exhibit B to the Counsel Retention Papers, AFG’s attorney attests that there is a “unity of interests” between debtor AFG and its nondebtor affiliates, including AAC. (Affidavit of Michael Groll submitted in support of Debtor’s Application for Approval of Its Employment and Retention of Counsel, at ¶ 6.) As the RMBS Policyholders have argued, there is no such unity of interest because AAC has obligations to satisfy its policyholders’ claims—first and in full—that are inconsistent with AFG’s goals of maximizing value in its bankruptcy proceedings. (*See id.* at ¶¶ 12, 15-16.) In fact, the evidence in this rehabilitation proceeding is unassailable that AAC cannot pay its debts as they mature and is insolvent. Thus, there is no such “unity of interests” between AAC and AFG.

The affidavit also attests that “[AFG’s] main asset is AAC,” thereby conceding that AFG expects value to be upstreamed from AAC. (*Id.* at ¶ 16.) Indeed, AAC would be of no value to AFG unless such upstreaming was contemplated. As long as the claims of policyholders in the Segregated Account are not paid in full, however, paying any value to the shareholder of ACC would violate the absolute priority rule.

The Counsel Retention Papers support the RMBS Policyholders’ argument that the proposed Plan of Rehabilitation impermissibly prefers AAC’s shareholder, AFG, over

policyholders in the Segregated Account in violation of the absolute priority rule codified in Wis. Stat. § 645.68. The Counsel Retention Papers also further indicate that AAC and AFG are taking inconsistent positions in this Court and the Bankruptcy Court. Here, AAC argues that the Plan is fair and policyholders will not be harmed, whereas in the Bankruptcy Court they argue—the RMBS Policyholders believe correctly—that the Plan will permit AAC to divert value from policyholders to AAC’s parent, in violation of Wisconsin law.

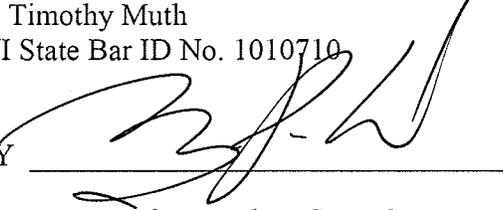
The Counsel Retention Papers demonstrate that the proposed Plan is unfair, inequitable, and violates Wisconsin law. These documents were only made available on December 6, 2010—after the evidentiary hearing and closing arguments on the Plan were concluded—and the Court has discretion to admit and consider them. *Grether v. Derzon*, 6 Wis. 2d 443, 95 N.W.2d 226 (1969) (a motion to reopen the case for the admission of evidence may be made and granted after the cause has been submitted to the court); *Riha v. Pelnar*, 86 Wis. 408, 57 N.W. 51 (1893) (the trial court has discretion to reopen the evidence). Accordingly, the RMBS Policyholders hereby submit, and ask that the Court consider, the Counsel Retention Papers in further support of the RMBS Policyholders’ objections and proposed modification to the Plan of Rehabilitation, which was submitted to this Court by their letter dated November 29, 2010 and would prohibit any transfers between AAC and AFG unless approved by this Court after notice and a hearing.

Dated this 7th day of December, 2010.

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BY 

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King Street Capital, L.P.,  
King Street Capital Master Fund, Ltd.,  
Monarch Alternative Capital LP, and  
Stonehill Capital Management LLC*

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# **OBJECTORS' EXHIBIT 73**

Hearing Date: December 21, 2010 at 2:00 P.M. (prevailing Eastern Time)  
Objection Deadline: December 16, 2010 at 4:00 P.M. (prevailing Eastern Time)

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*Proposed Attorneys for the Debtor and Debtor in Possession*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

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	:	
<i>In re</i>	:	
	:	<b>Chapter 11</b>
<b>AMBAC FINANCIAL GROUP, INC.,</b>	:	
	:	<b>Case No. 10-15973 (SCC)</b>
<b>Debtor.</b>	:	
	:	
-----	X	

**NOTICE OF DEBTOR’S APPLICATION, PURSUANT TO BANKRUPTCY  
CODE SECTIONS 327(a) AND 328(a), BANKRUPTCY RULE 2014(a) AND  
LOCAL RULE 2014-1, FOR AUTHORIZATION TO EMPLOY AND  
RETAIN DEWEY & LEBOEUF LLP AS ITS ATTORNEYS  
NUNC PRO TUNC TO THE COMMENCEMENT DATE**

**PLEASE TAKE NOTICE** that a hearing on the annexed application (the “Application”) will be held before the Honorable Shelley C. Chapman, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court, One Bowling Green, New York, New York 10004-1408 on December 21, 2010, at 2:00 p.m. (Eastern Time), or as soon thereafter as counsel may be heard (the “Hearing”).



**PLEASE TAKE FURTHER NOTICE** that objections, if any, to the relief requested in the Application must comply with the Federal Rules of Bankruptcy Procedure, the Local Rules of the United States Bankruptcy Court for the Southern District of New York and the Order Pursuant to Bankruptcy Rules 2002, 9007, and 9036, and Local Rule 2002-2, Establishing Certain Notice, Case Management, and Administrative Procedures [Docket No. 13] entered on November 9, 2010 (the “Case Management Order”), must be set forth in writing describing the basis therefore and shall be (i) filed electronically with the Court on the docket of In re Ambac Financial Group, Inc., Case No. 10-15973 (SCC), in accordance with General Order M-399, by registered users of the Court’s case filing system and by all other parties in interest on a 3.5 inch disk.

**PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Rule 9070-1, (i) at least one hard copy of any objections filed shall be marked “Chambers Copy” and delivered in an unsealed envelope to the chambers of the Honorable Judge Shelley C. Chapman, United States Bankruptcy Court, One Bowling Green, New York, New York 10004, not later than the next business day following the date on which such document is electronically filed and (ii) copies of any objections filed shall be delivered by first class mail to (a) Dewey & LeBoeuf LLP, 1301 Avenue of the Americas, New York, New York 10019, Attn: Tevia Jeffries, Esq., proposed attorneys for the Debtor; (b) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Brian Masumoto, Esq.; (c) the Securities and Exchange Commission, 100 F Street N.E., Washington, D.C. 20549, Attn: Christopher Cox, and New York Regional Office 3 World Financial Center Suite 400, New York, NY 10281, Attn: Mark Schonfeld, (d) the Internal Revenue Service, 11601 Roosevelt Blvd, Mail Drop N781, Philadelphia, PA 19255 and P.O. Box 21126 Philadelphia, PA 19114,

(e) Foley & Lardner LLP 777 Wisconsin Avenue, Milwaukee, WI 53202 Attn: Frank DiCastrì, counsel to Wisconsin Office of the Commissioner of Insurance, (f) The Bank of New York Mellon, One Wall Street, 8W, New York, NY 10286, Attn: Martin Feig, as trustee in respect of the Debtor's senior notes and member of the statutory committee of unsecured creditors appointed in this case (the "Committee"); (g) Law Debenture Trust Company of New York, 400 Madison Avenue, 8th Floor, New York, NY 10017, Attn: Anthony A. Bocchino, as trustee in respect of the Debtor's directly issued subordinated capital securities and member of the Committee; (h) Halcyon Master Fund LP, 477 Madison Ave, 8th Floor, New York, NY 10022, Attn: John W Greene Jr., as member of the Committee; (i) Value Works LLC, 1450 Broadway, 42nd Floor, New York, NY 10018 Attn: Charles Lemonides, as member of the Committee; (j) One State Street LLC, One State Street Plaza, 29th Floor, New York, NY 10004, Attn: Eli Levitin, as member of the Committee; (k) Morrison & Foerster LLP, 1290 Avenue of the Americas, New York, New York 10104, Attn: Anthony Princi, Esq., proposed counsel for the Committee; and (l) all parties who have requested notice in this chapter 11 case, so as to be received no later than December 16, at 4:00 p.m. (Eastern Time).

**PLEASE TAKE FURTHER NOTICE** that if an objection to the Application is not received by the Objection Deadline, the relief requested shall be deemed unopposed, and the Bankruptcy Court may enter an order granting the relief sought without a hearing.

**PLEASE TAKE FURTHER NOTICE** that objecting parties are required to attend the Hearing and failure to appear may result in relief being granted or denied upon default.

Dated: December 6, 2010  
New York, New York

/s/ Allison H. Weiss  
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*Proposed Attorneys for the Debtor and Debtor in Possession*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

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*In re* :  
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AMBAC FINANCIAL GROUP, INC., : **Chapter 11**  
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Debtor. : **Case No. 10-15973 (SCC)**  
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**DEBTOR'S APPLICATION, PURSUANT TO BANKRUPTCY  
CODE SECTIONS 327(a) AND 328(a), BANKRUPTCY RULE 2014(a) AND  
LOCAL RULE 2014-1, FOR AUTHORIZATION TO EMPLOY AND  
RETAIN DEWEY & LEBOEUF LLP AS ITS ATTORNEYS  
NUNC PRO TUNC TO THE COMMENCEMENT DATE**

TO THE HONORABLE SHELLEY C. CHAPMAN  
UNITED STATES BANKRUPTCY JUDGE:

Ambac Financial Group, Inc., as debtor and debtor in possession in the above-captioned chapter 11 case (the "Debtor" and together with its nondebtor affiliates, "Ambac"), hereby submits this application (the "Application"), and respectfully represents:

### **Jurisdiction**

1. This Court has subject matter jurisdiction to consider and determine this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

### **Background**

2. On November 8, 2010 (the “Commencement Date”), the Debtor commenced a voluntary case under chapter 11 of title 11, United States Code (the “Bankruptcy Code”). The Debtor continues to operate its business and manage its properties as debtor in possession as authorized by sections 1107(a) and 1108 of the Bankruptcy Code.

3. On November 17, 2010, the United States Trustee for the Southern District of New York (the “U.S. Trustee”) appointed a statutory committee of unsecured creditors [Docket No. 27] (the “Committee”) pursuant to section 1102 of the Bankruptcy Code. No trustee or examiner has been appointed in this chapter 11 case.

4. The Debtor is a holding company and a Delaware Corporation. The Debtor’s principal operating subsidiary, Ambac Assurance Corporation (“AAC”), is a Wisconsin-domiciled financial guarantee insurance company whose business includes the issuance of financial guarantee insurance policies to support public finance, structured finance, and international finance transactions.

5. Additional information regarding the Debtor’s capital structure and events leading up to the commencement of this chapter 11 case is contained in the *Affidavit of David W. Wallis in Support of the Debtor’s Chapter 11 Petition and First Day Motions and Pursuant to Local Rule 1007-2, filed on the Commencement Date* [Docket No. 2] (the “Wallis Affidavit”).

### **Relief Requested**

6. By this Application, the Debtor requests an order, substantially in the form attached hereto as Exhibit A, approving, pursuant to Bankruptcy Code sections 327(a) and 328(a), Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2014-1 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Southern District of New York (“Local Rules”), the employment and retention of Dewey & LeBoeuf LLP (“D&L”) as its attorneys, under a general retainer, in connection with the commencement and prosecution of its chapter 11 case, and in accordance with D&L’s normal hourly rates and reimbursement policies in effect when services are rendered, *nunc pro tunc* to the Commencement Date.

7. This Application is supported by the Wallis Affidavit and the *Affidavit of Michael Groll in Support of the Debtor’s Application for Approval of its Employment of Dewey & LeBoeuf LLP as its Attorneys Nunc Pro Tunc to the Commencement Date* (the “Groll Affidavit”) attached hereto as Exhibit B.

### **Basis for Relief Requested**

8. Pursuant to section 327(a) of the Bankruptcy Code, a debtor in possession is authorized to employ professional persons “that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the [debtor in possession] in carrying out [its] duties under [the Bankruptcy Code.]” 11 U.S.C. § 327(a). Section 1107(b) of the Bankruptcy Code modifies section 101(14) (definition of “disinterested person”) and section 327(a) of the Bankruptcy Code in a chapter 11 case, by providing “a person is not disqualified for employment under section 327 of [the Bankruptcy Code] by a debtor in possession solely because of such person’s employment by or representation of the debtor before the commencement of the case.” 11 U.S.C. § 1107(b).

9. Pursuant to section 328(a) of the Bankruptcy Code, with the court's approval, a debtor in possession may employ professional persons under section 327(a) of the Bankruptcy Code "on any reasonable terms and conditions of employment, including on retainer, on an hourly basis, on a fixed or percentage basis, or on a contingent fee basis." 11 U.S.C. § 328(a). Pursuant to section 329(a) of the Bankruptcy Code, "an attorney representing a debtor ... shall file with the court a statement of compensation paid or agreed to be paid, if such payment or agreement was made after one year before the date of the filing of the petition, for services rendered or to be rendered in contemplation of or in connection with the case by such attorney, and the source of such compensation." 11 U.S.C. § 329(a).

10. As required by Bankruptcy Rule 2014(a), this Application sets forth the following: (a) the specific facts showing the necessity for D&L's employment, (b) the reasons for the Debtor's selection of D&L as its attorneys in connection with its chapter 11 case, (c) the professional services to be provided by D&L, (d) the arrangement between the Debtor and D&L with respect to D&L's compensation, and (e) to the best of Debtor's knowledge, the extent of D&L's connections, if any, to parties in interest in this chapter 11 case.

#### **Retention of D&L Is Warranted**

11. The Debtor is informed that Martin J. Bienenstock, Peter A. Ivanick and Todd L. Padnos, each a member of D&L, as well as other members of, counsel to, and associates of D&L who will be employed in this chapter 11 case, are members in good standing in the jurisdictions in which such attorneys are admitted. In addition, Todd L. Padnos has been admitted *pro hac vice* to practice before this Court in connection with the Debtor's chapter 11 case.

12. The Debtor has selected D&L as its attorneys because of D&L's knowledge of the Debtor's business and financial affairs, and D&L's extensive experience and

knowledge in, among other areas, insurance regulation and insolvency, business reorganizations and restructurings under chapter 11 of the Bankruptcy Code. D&L and its members currently represent, and have represented, debtors and creditors in multiple large and complex chapter 11 cases. Moreover, D&L has a long-established reputation for its practice in the insurance industry. D&L represents all sectors of this complex, international industry, and draws upon wide-ranging experience to provide Ambac with comprehensive regulatory advice and compliance services, including advice on strategic growth, capital structure and financial issues, as well as regulatory issues surrounding the operation and governance of insurers. The Debtor believes D&L has unparalleled experience in insurance-related bankruptcies and restructurings, and has advised a range of companies on insolvency issues, providing clients with clear comparisons of in and out-of-court solutions.

13. Since 1985, D&L has represented Ambac on several of its insurance regulatory, tax, and corporate matters. Since 2008, D&L has also represented Ambac with respect to the preparation of its public filings, certain financial transactions and corporate governance matters. In addition, since September 2008, D&L has advised Ambac in connection with its financial restructuring efforts. Since that time, D&L was primarily focused upon solving the Debtor's liquidity issues and restructuring its debt. Thereafter, D&L became responsible for the preparation of the chapter 11 petition, initial motions, and applications relating to the commencement of the Debtor's chapter 11 case. During the course of these representations, D&L has become familiar with the Debtor's business, financial affairs, capital structure, and restructuring alternatives.

14. AAC is subject to the insurance laws and regulations of the State of Wisconsin and is regulated by the Office of the Commissioner of Insurance of the State of

Wisconsin (“OCI”) whose statutory role is to protect policyholders’ interests. Because of D&L’s comprehensive knowledge of Ambac and its expertise in insurance, when OCI approached AAC in 2008 to explore restructuring alternatives, D&L was able to work with OCI and its counsel to (a) formulate restructuring alternatives for AAC that would protect AAC policyholders while maximizing value for the Debtor, and (b) avoid (i) a seizure of all of AAC and (ii) the resultant cross defaults across the majority of AAC’s books of business which would have destroyed value for AAC’s policyholders and the Debtor.

15. Because of D&L’s familiarity with the interaction between the Debtor’s business and OCI’s relationship with, and statutory power over, AAC, D&L was able to recognize that a successful reorganization of the Debtor would require the involvement and approval of OCI. Consequently, during pre-petition negotiations with an ad hoc committee of holders of the Debtor’s senior notes (the “Ad Hoc Committee”), D&L was able to facilitate the negotiation and execution of a non-binding agreement between the Debtor, AAC, the Ad Hoc Committee and OCI that will likely form the basis for a plan of reorganization of the Debtor.

16. Ambac is aware of the advantages to D&L’s representation of the Ambac enterprise and its enhancement of value for the Debtor’s estate and its creditors. D&L has the necessary background to deal effectively with the legal issues that may arise in the context of the Debtor’s chapter 11 case and restructuring efforts. Accordingly, the Debtor believes D&L is uniquely qualified and able to represent it in its chapter 11 case.

### **Scope of Services**

17. The employment of D&L under a general retainer is appropriate and necessary to enable the Debtor to execute its duties as debtor and debtor in possession and to accomplish its restructuring objectives. Subject to further order of this Court, it is proposed that D&L be employed to render the following professional services:

- a. advise the Debtor in connection with the legal aspects of a financial restructuring under chapter 11;
- b. prepare on behalf of the Debtor, as debtor in possession, all necessary motions, applications, answers, orders, reports, and other papers in connection with the administration of the Debtor's estate;
- c. take all necessary action to protect and preserve the Debtor's estate, including the prosecution of actions on the Debtor's behalf, the defense of any actions commenced against the Debtor, the negotiation of disputes in which the Debtor is involved, such as adversary proceedings, contested matters and matters before other courts, tribunals and adjudicative bodies, and the preparation of objections to claims filed against the Debtor's estate;
- d. take all necessary actions, including to negotiate and prepare on behalf of the Debtor, a chapter 11 plan and related disclosure statement and all related documents, and such further actions as may be required in connection with the administration of the Debtor's estate; and
- e. perform all other necessary legal services in connection with the prosecution of this chapter 11 case.

18. It is necessary for the Debtor to employ D&L under a general retainer to render the foregoing professional services. Therefore, the Debtor has requested that D&L perform the services set forth herein and, subject to this Court's approval of this Application, D&L has stated its desire, willingness, and ability to act in this chapter 11 case and to render the necessary professional services as attorneys for the Debtor.

**D&L's Disinterestedness**

19. To the best of the Debtor's knowledge, the members, counsel and associates of D&L do not have any connection with or any interest adverse to the Debtor, its creditors, or any other party in interest, or their respective attorneys and accountants, except as set forth in the Groll Affidavit.

20. In view of the foregoing, the Debtor submits that D&L is a “disinterested person,” as such term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code.

### **Compensation of D&L**

21. Prior to the Commencement Date, D&L received certain amounts (as set forth in the Groll Affidavit) from the Debtor as compensation for professional services relating to the potential restructuring of the Debtor’s financial obligations and the potential commencement of this chapter 11 case, and additional amounts for the reimbursement of reasonable and necessary expenses incurred in connection therewith. D&L also has received a retainer for services to be performed and expenses to be advanced in the preparation for and prosecution of this chapter 11 case, in the amount disclosed in the Groll Affidavit.

22. D&L has advised the Debtor that it will seek interim and final allowance of compensation and reimbursement of expenses pursuant to sections 330 and 331 of the Bankruptcy Code, applicable Bankruptcy Rules and Local Rules, and any procedures fixed by the Court.

23. The Debtor respectfully requests that all fees and related costs and expenses incurred by the Debtor on account of services rendered and expenses advanced by D&L in this case be paid as administrative expenses of the estate pursuant to sections 328, 330(a), 331, 503(b) and 507(a)(1) of the Bankruptcy Code. Subject to this Court’s approval, D&L will charge for its legal services on an hourly basis in accordance with its ordinary and customary hourly rates in effect on the date such services are rendered, subject to section 328(a) and 330 of the Bankruptcy Code. D&L has advised the Debtor that the current hourly rates charged by D&L for professionals and paraprofessionals employed in its U.S. offices and expected to work on the Debtor’s chapter 11 case are provided below:

<b><u>Billing Category</u></b>	<b><u>Range</u></b>
<b>Partners</b>	<b>\$695-\$975</b>
<b>Counsel</b>	<b>\$625-\$800</b>
<b>Associates</b>	<b>\$385-\$625</b>
<b>Paraprofessionals</b>	<b>\$125-\$385</b>

24. These hourly rates are subject to D&L's periodic adjustments to reflect economic and other conditions. D&L will maintain detailed records of actual and necessary costs and expenses incurred in connection with the legal services described above. D&L reserves its right to file an application for allowance of an enhanced fee award at the end of this case, subject to the discretion of the Debtor.

25. Pursuant to section 328(a) of the Bankruptcy Code, the Debtor may retain D&L on any reasonable terms and conditions. The Debtor, subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any orders of this Court, proposes to pay D&L its customary hourly rates for services rendered that are in effect from time to time, as set forth in the Groll Affidavit, and to reimburse D&L according to its customary reimbursement policies, and respectfully submit that such rates and policies are reasonable.

26. The Debtor understands that D&L is customarily reimbursed for all expenses incurred in connection with the representation of a client in a given matter, including, but not limited to, photocopying services, printing, delivery charges, filing fees, postage and computer research time. This is the basis on which the Debtor has heretofore retained D&L.

27. The Debtor further submits that the relief requested herein is necessary and appropriate, is in the best interests of the Debtor, its estate and its creditors, and should be granted in all respects.

**Notice**

28. Notice of this Motion has been provided by facsimile, electronic mail transmission, first class mail, overnight mail, and/or hand delivery to (i) the U.S. Trustee, (ii) the Securities and Exchange Commission, (iii) the Internal Revenue Service, (iv) counsel to OCI, (v) The Bank of New York Mellon, as trustee in respect of the Debtor's senior notes; (vi) Law Debenture Trust Company of New York, as trustee in respect of the Debtor's directly issued subordinated capital securities, (vii) each member of and counsel to the Committee, and (viii) all parties requesting notice pursuant to Bankruptcy Rule 2002. The Debtor submits that no other or further notice need be provided.

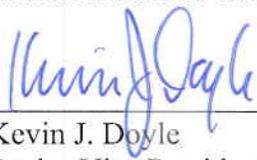
**No Previous Request**

29. No previous request for the relief sought herein has been made by the Debtor to this or any other court.

WHEREFORE the Debtor respectfully requests that the Court enter an order (i) approving the employment and retention of D&L, as its attorneys, *nunc pro tunc* to the Commencement Date on the terms set forth in this Application, and (ii) granting the Debtor such other and further relief as the Court may deem just and proper.

Dated: December 6, 2010  
New York, New York

Ambac Financial Group, Inc.



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Kevin J. Doyle  
Senior Vice President and General Counsel of  
Ambac Financial Group, Inc.

**Exhibit A**

**Proposed Order**



consideration of the Application and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Application having been provided, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Application (the “Hearing”); and upon the record of the Hearing, and all of the proceedings had before the Court; and the Court being satisfied that D&L represents or holds no interest adverse to the Debtor or its estate and is disinterested under section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code; and the Court having determined that the relief sought in the Application is in the best interests of the Debtor, its estate, its creditors and all parties in interest; and that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED that the Application is granted in all respects; and it is further

ORDERED that pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, the Debtor’s retention of D&L as its attorneys under a general retainer in accordance with D&L’s normal hourly rates and disbursement policies, as set forth in the Groll Affidavit, is approved *nunc pro tunc* to the date on which the Debtor commenced its chapter 11 case; and it is further

ORDERED that D&L shall apply for compensation and reimbursement in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code, applicable provisions of the Bankruptcy Rules, the Local Rules, the guidelines established by the Office of the United States Trustee, and such other procedures as may be fixed by order of this Court; and it is further

ORDERED that this Court shall retain exclusive jurisdiction to interpret and enforce the terms of the Application and this Order.

Dated: \_\_\_\_\_, 2010  
New York, New York

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THE HONORABLE SHELLEY C. CHAPMAN  
UNITED STATES BANKRUPTCY JUDGE

**Exhibit B**

**Groll Affidavit**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

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*In re* :  
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**AMBAC FINANCIAL GROUP, INC.,** : **Chapter 11**  
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**Debtor.** : **Case No. 10-15973 (SCC)**  
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**AFFIDAVIT OF MICHAEL GROLL IN SUPPORT OF DEBTOR'S  
APPLICATION FOR APPROVAL OF ITS EMPLOYMENT AND  
RETENTION OF DEWEY & LEBOEUF LLP AS ITS ATTORNEYS  
NUNC PRO TUNC TO THE COMMENCEMENT DATE**

STATE OF NEW YORK )  
 ) ss.:  
COUNTY OF NEW YORK )

Michael Groll, being duly sworn, deposes and says:

1. I am a member of the firm of Dewey & LeBoeuf LLP ("D&L"), a law firm with its principal office at 1301 Avenue of the Americas, New York, New York 10019. D&L is an international law firm with more than 1,100 lawyers in 16 countries, including the United States, United Kingdom, Belgium, France, Germany, Italy, Spain, Poland, China, the United Arab Emirates, Qatar, South Africa, Kazakhstan, Russia and Saudi Arabia. Within the United States, D&L has offices in Albany and New York City, New York; Silicon Valley, Los Angeles and San Francisco, California; Chicago, Illinois; Boston, Massachusetts; Houston, Texas; and Washington, D.C.
2. I am admitted to practice and am a member in good standing of the bar of the State of New York.
3. I submit this affidavit (the "Affidavit") in connection with the *Debtor's Application, Pursuant to Bankruptcy Code Sections 327(a) and 328(a), Bankruptcy Rule 2014(a)*

*and Local Rule 2014-1, for Authorization to Employ and Retain Dewey & LeBoeuf LLP as Its Attorneys, Nunc Pro Tunc to the Commencement Date* (the “Application”) of Ambac Financial Group, Inc., as debtor and debtor in possession (the “Debtor” and, together with its nondebtor subsidiaries, “Ambac”), for approval of the Debtor’s employment and retention of D&L, as its attorneys in the above-captioned chapter 11 case, at D&L’s normal hourly rates in effect from time-to-time, and in accordance with D&L’s normal reimbursement policies, in compliance with sections 327(a), 328(a), 329(a), and 504 of title 11 of the United States Code (the “Bankruptcy Code”), and to provide the disclosure required under Rules 2014-1 and 2016-1 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rules 2014-1 of the Local Bankruptcy Rules for the Southern District of New York (“Local Rules”). Unless otherwise stated in this Affidavit, I have personal knowledge of the facts set forth herein. To the extent any information disclosed herein requires amendment or modification upon D&L’s completion of further review, or as additional party in interest information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

**Disinterestedness of D&L**

4. Except as set forth herein, to the best of my knowledge, after due inquiry, neither I, D&L, nor any member, counsel, or associate of D&L represents any party in interest or entity other than the Debtor in connection with this chapter 11 case.

5. D&L is a “disinterested person,” as such term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, in that D&L, its members, counsel, and associates, except as set forth herein:

- i. are not creditors, equity security holders, or insiders of the Debtor;

- ii. are not and were not, within two years before the Commencement Date, a director, officer, or employee of the Debtor;
- iii. do not have an interest materially adverse to the interests of the estate or of any class of creditors or equity security holders by reason of any direct or indirect relationship to, connection with, or interest in, the Debtor or for any other reason; and
- iv. have not represented any party in connection with matters relating to the Debtor, within the last two years, although D&L has certain relationships with other parties in interest and other professionals in connection with matters unrelated to this chapter 11 case.

6. Certain interrelationships exist among the Debtor and its nondebtor affiliates also represented by D&L. Based upon information provided by the Debtor and D&L's knowledge of the Debtor and its affiliates, these interrelationships do not present any conflicts of interest because of the general unity of interests among the Debtor and its nondebtor affiliates. Insofar as I have been able to ascertain, I know of no conflicts of interest that would preclude D&L's representation of the Debtor in this case, and, as necessary, the nondebtor affiliate in matters relating to this chapter 11 case and the protection and preservation of the Debtor's estate including the nondebtor affiliates.

**D&L's Prepetition Relationship with Ambac**

7. Since 1985, D&L has represented Ambac on several of its insurance regulatory, tax, and corporate matters. Since 2008, D&L has also represented Ambac with respect to the preparation of its public filings, certain financial transactions and corporate governance matters. In addition, since September 2008, D&L has advised Ambac in connection with its financial restructuring efforts.

8. As described in detail in the *Affidavit of David W. Wallis in Support of the Debtor's Chapter 11 Petition and First Day Motions and Pursuant to Local Rule 1007-2*, filed on the Commencement Date [Docket No. 2] (the "Wallis Affidavit"), Ambac's business is very

complex. Until the beginning of the current financial crisis, Ambac offered financial guarantee insurance through its wholly owned, principal operating subsidiary, Ambac Assurance Corporation (“AAC”), on investment grade municipal obligations and private structured-finance debt obligations, such as municipal bonds and residential mortgage-backed securities (“RMBS”). AAC also guaranteed certain structured-finance debt obligations entered into by a non-insurance, wholly owned Ambac subsidiary. These structured-finance debt obligations were largely collateralized debt obligations backed by asset-backed securities, primarily RMBS. D&L has specific expertise in these types of transactions and industries, and is well positioned to advise Ambac in relation thereto.

9. Additionally, D&L has a long-established reputation for its practice in the insurance industry. D&L represents all sectors of this complex, international industry, and draws upon wide-ranging experience to provide clients with comprehensive regulatory advice and compliance services, including advice on strategic growth, capital structure and financial issues, as well as regulatory issues surrounding the operation and governance of insurers. D&L has unparalleled experience in insurance-related bankruptcies and restructurings, and has advised a range of companies on insolvency issues, providing clients with clear comparisons of in and out-of-court solutions. D&L has developed unique solutions designed to achieve each client’s objectives.

10. Pursuant to Delaware’s corporate governance jurisprudence, wholly owned subsidiaries have fiduciary duties to maximize their values for their parent holding company subject to their contractual and statutory duties to other constituents.<sup>1</sup> Wisconsin

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<sup>1</sup> The duty of a subsidiary to act for the best interests of its parent is so clear and strong that the directors of the parent have a duty to stop the subsidiary from acting in its own interests if the subsidiary’s action would be adverse to the parent corporation and its shareholders. *Grace Brothers v. UniHolding Corp.*, C.A. No. 17612, 2000 Del Ch. LEXIS 101 (Del. Ch. July 12, 2000).

corporate fiduciary duty law follows Delaware law. See *Polsky v. Virnich*, 323 Wis. 2d 811 (Wis. Ct. App. 2010) (following *Beloit Liquidating Trust v. Grade*, 270 Wis. 2d 356 (Wis. Ct. App. 2004), which was decided under Delaware law). Consequently, the Debtor’s subsidiaries, including AAC, owe their fiduciary duties to the Debtor as their ultimate parent holding company. In carrying out those fiduciary duties, the Debtor and AAC, together with their respective officers and directors, can take into account AAC’s statutory and contractual duties to the Office of the Commissioner of Insurance of the State of Wisconsin (“OCI”) and to AAC’s policyholders. See *N. Am. Catholic Educ. Programming Found., Inc. v. Gheewalla*, 930 A.2d 92, 101 (Del. 2007); *Production Res. Group v. NCT Group, Inc.*, 863 A.2d 772, 788 (Del. Ch. 2004); *Credit Lyonnais Bank Nederland N.V. v. Pathe Commc’ns Corp.*, 1991 Del. Ch. LEXIS 215, 1991 WL 277613 (Del. Ch. 1991).

11. AAC is subject to the insurance laws and regulations of the State of Wisconsin and is regulated by OCI whose statutory role is to protect policyholders’ interests. Even so, AAC’s fiduciary duties are to the Debtor, its sole shareholder. OCI is well aware of this relationship between AAC and the Debtor. AAC’s duties to its policyholders, which are

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“It is by no means a novel concept of corporate law that a wholly-owned subsidiary functions to benefit its parent. n. 31 (n 31 *E.g.*, *Stenberg v. O’Neil*, Del. Supr., 550 A.2d 1105, 1124 (1988); *Anadarko Petroleum Corp. v. Panhandle Eastern Corp.*, Del. Supr., 545 A.2d 1171, 1174 (1988)). To the extent that members of the parent board are on the subsidiary board or have knowledge of proposed action at the subsidiary level that is detrimental to the parent, they have a fiduciary duty, as part of their management responsibilities, to act in the best interests of the parent and its stockholders.” *Grace Brothers v. UniHolding Corp.*, C.A. No. 17612, 2000 Del Ch. LEXIS 101 at \*40 (Del. Ch. July 12, 2000).

It is settled law that:

“(1) ‘a parent does not owe a fiduciary duty to its wholly owned subsidiary,’ and (2) ‘in a parent and wholly-owned subsidiary context, the directors of the subsidiary are obligated only to manage the affairs of the subsidiary in the best interests of the parent and its shareholders.’”

*Shaev v. Wytty*, C.A. No. 15559, 1998 Del. Ch. LEXIS 2, at \*7 (Del. Ch. Jan. 6, 1998)(quoting *Anadarko Petroleum Corp. v. Panhandle Eastern Corp.*, Del. Supr., 545 A.2d 1171, 1174 (1988)).

regulated and overseen by OCI, are statutory and contractual. As with virtually all wholly owned subsidiaries, AAC's duty is to maximize value for its owner, the Debtor. To accomplish that, AAC must satisfy OCI that it is carrying out its statutory and contractual obligations to its policyholders. Otherwise, OCI could take enforcement actions against AAC that would eliminate its value to the Debtor.

12. Consequently, because of D&L's comprehensive knowledge of Ambac as well as its expertise in insurance, when OCI approached AAC in 2008 to explore restructuring alternatives, D&L was able to work with OCI and its counsel, Foley & Lardner LLP ("Foley"), (a) to formulate restructuring alternatives for AAC that would protect AAC policyholders while maximizing value for the Debtor, and (b) to avoid (i) a seizure of all of AAC and (ii) the resultant cross defaults across the majority of AAC's books of business which would have destroyed value for AAC's policyholders and the Debtor.

13. D&L's representation of Ambac includes representing AAC's interests in the rehabilitation proceedings of the segregated account of AAC (the "Segregated Account") in the District Court of Dane County, Wisconsin. In connection therewith, Sean Dilweg, the Wisconsin Commissioner of Insurance, was appointed as the rehabilitator of the Segregated Account (the "Rehabilitator"). OCI and the Rehabilitator are represented by Foley.

14. In September 2010, the Debtor commenced negotiations with an ad hoc committee of holders of the Debtor's senior notes (the "Ad Hoc Committee"), represented by Morrison & Foerster LLP ("Mofo"). As detailed in the Wallis Affidavit, negotiations with Mofo attempted to resolve the Ad Hoc Committee's concerns that certain amendments to and transfers in accordance with Ambac's tax sharing agreement constituted fraudulent transfers and preferences with respect to use and allocation of Ambac's consolidated net operating losses

(“NOLs”), currently estimated at approximately \$7.6 billion, and tax refunds of approximately \$708 million.

15. In October 2010, these negotiations expanded to include OCI and Foley, with the understanding that, because OCI has the power to place AAC into full rehabilitation should any agreement between the Debtor and its bondholders unduly prejudice AAC’s policyholders, any settlement between the Ad Hoc Committee, AAC and the Debtor would need to be acceptable to OCI and the Rehabilitator. D&L’s assignment for both AAC and the Debtor was to maximize the Debtor’s retention of cash and NOLs, subject to satisfying OCI that AAC retained sufficient cash and NOLs to carry out its duties to policyholders.

16. During these negotiations, D&L represented the interests of Ambac to maximize value of the Debtor, which involved keeping AAC out of rehabilitation proceedings. Mofo represented the interests of the Ad Hoc Committee to maximize value for the Debtor’s creditors. Foley represented the interests of OCI to protect AAC’s policyholders. Because of OCI’s power to place AAC into general rehabilitation, which would be adverse and highly destructive to the interests of the Debtor and its creditors, OCI had the final word on any proposed agreement between the parties. Significantly, the NOLs are not the Debtor’s main asset. The Debtor’s main asset is AAC.

17. On November 7, 2010, OCI sent a letter to the board of directors of AAC (the “OCI Letter”) and a non-binding term sheet among the Debtor, AAC, the Ad Hoc Committee, OCI and the Rehabilitator (the “Term Sheet”). The Term Sheet provides, *inter alia*, for further negotiation concerning an allocation of the NOLs between the Debtor and AAC. Such allocation potentially benefits both the Debtor and AAC because (i) both the Debtor and AAC will enjoy significant shelter from tax liability within the carryforward period as permitted

under title 26 of the United States Code, (ii) all parties negotiating the term sheet sought to maintain value at AAC, and (iii) the involvement of OCI and the Ad Hoc Committee ensured that both creditors of the Debtor and policyholders of AAC were represented. In the OCI Letter, OCI agrees that “the terms and conditions reflected in the [Term Sheet] preserves claims-paying resources for the benefit of all [AAC’s] policyholders and provides fair and equitable treatment of policyholders and creditors.” OCI remains willing to place AAC into full rehabilitation should any agreement reached between the Debtor and its bondholders be deemed by OCI to be unfair or inequitable to AAC’s policyholders. The Debtor’s successful reorganization for the benefit of its creditors and OCI’s goal of protecting AAC policyholders both depend upon preserving value at AAC.

18. It is hornbook law and routine practice across the country that parent holding companies and their wholly owned subsidiaries do not need separate attorneys. Indeed, they have common management. Therefore, separate attorneys would accomplish nothing while causing significant inefficiencies. The Bankruptcy Court for the Southern District of New York follows this practice. For instance, in the pending Lehman Brothers chapter 11 cases, the debtors are all represented by one law firm notwithstanding that the holding company’s creditors desire substantive consolidation and the subsidiary debtors’ creditors do not. Additionally, Lehman Brothers owns two banks for which billions of dollars have been downstreamed due to FDIC pressure. Similarly, one law firm represented Enron Corporation and its subsidiaries notwithstanding opposing views as to intercompany claims and substantive consolidation.

19. In *Lehman*, the Report of Anton R. Valukas, Examiner (the “Examiner’s Report”) showed billions of dollars in colorable preference claims between the holding company, Lehman Brothers Holding Inc. (“LBHI”), and its various debtor subsidiaries. For example, the

Examiner's Report found approximately \$29.4 billion in potential preferential activity between LBHI and Lehman Brothers Special Financing Inc. Examiner's Report, *In re Lehman Bros. Holdings, Inc.*, Case no. 08-13555, at 1715 (Bankr. S.D.N.Y. October 11, 2009). Although the Examiner's Report found that LBHI had potential new value and ordinary course defenses, it determined that "[a]ny conclusion would have to be determined by a trier of fact." Examiner's Report, *id.* at 1694. The Examiner's Report identified several other large potential preference claims (*e.g.*, Lehman Brothers Commodity Services, Inc.'s potential claim of \$4.3 billion) and several other entities whose potential claims could not be ascertained. Yet, with all of this uncertainty regarding intercompany transfers and rights to assets, one law firm remains debtors' counsel to all entities, with conflicts counsel ready to step in if and when necessary.

20. Here, the resolution of intercompany property issues, *e.g.*, the NOLs, involve non-adverse, tripartite negotiations, in which Foley represents OCI, whose goal is protecting AAC's policyholders, D&L represents the Debtor and Ambac's goal of value maximization for the Debtor, and Mofu represents the Debtor's creditors. Additionally, there is another layer of protection of the Debtor's interests vis-à-vis AAC's interests, to the extent, if any, that they differ in the future. The Debtor is seeking approval of its retention of Togut, Segal & Segal LLP ("the Togut Firm"), as conflicts attorneys. To the extent, if any, that the Debtor's estate has to litigate against AAC, the Togut Firm will represent the Debtor in that litigation and D&L will not represent AAC.

21. As aforesaid, D&L's representation of Ambac involves common interests and is consistent with the routine, court-approved practice of having one firm represent a company and its subsidiaries in proceedings involving debtor-creditor issues and intercompany claims. Notably, if intercompany claims could disqualify counsel, multiple debtors would be

required to retain separate law firms for each debtor affiliate notwithstanding that the same management is directing each law firm. In complex representations such as Ambac, companies do not hire multiple firms – and courts do not require them to do so. Additionally, Ambac is aware of the advantages to D&L’s representation of the Ambac enterprise and its enhancement of value for the Debtor’s estate and its creditors.

### **D&L’s Prepetition Compensation from the Debtor**

22. D&L is not a creditor of the Debtor. In the one year prior to the commencement of this chapter 11 case (the “Commencement Date”), D&L received payment from the Debtor in the amount of \$5,012,142.42 for professional services performed and \$107,532.60 for expenses incurred.<sup>2</sup>

23. On or about November 3, 2010, and November 8, 2010, the Debtor advanced retainers to D&L in the aggregate amount of \$3 million and \$1.5 million, respectively, on account of financial restructuring and reorganization services performed and to be performed, including in connection with this chapter 11 case, and expenses incurred and to be incurred in connection therewith (the “Advance Payment Retainers”). As of the Commencement Date, D&L has a remaining credit balance in favor of the Debtor in the approximate amount of \$3.0 million. D&L will continue to hold the excess amounts as a retainer.

### **D&L’s Disclosure Procedures**

24. D&L has a large and diversified legal practice that encompasses the representation of many financial institutions and commercial corporations, including entities that have interests in distressed debt and/or distressed entities. D&L has in the past represented,

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<sup>2</sup> These amounts include fees for all professional services performed for the Debtor, and not its nondebtor subsidiaries, including professional services unrelated to the commencement of this chapter 11 case. D&L received payment from the Debtor in the amount of \$3,146,537.00 for professional services performed and \$100,281.25 for expenses incurred in connection with the Debtor’s out-of-court financial restructuring efforts and the preparation of this chapter 11 case.

currently represents, and may in the future represent, entities that are claimants of, or interest holders in, the Debtor or its subsidiaries, in matters unrelated to the Debtor's chapter 11 case. Some of these entities are, or may consider themselves to be, creditors or parties in interest in the Debtor's pending chapter 11 case or may otherwise have interests in this case. D&L will not represent such entities in matters related to this chapter 11 case.

25. In preparing this Affidavit, I implemented a set of procedures utilized by D&L to ensure compliance with the requirements of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules, regarding the retention of professionals by a debtor under the Bankruptcy Code (the "Firm Disclosure Procedures"). Pursuant to the Firm Disclosure Procedures, I performed, or caused to be performed, the following actions to identify the parties relevant to this Affidavit and to ascertain D&L's connection to such parties:

- a. D&L developed a comprehensive list of the types of entities that may have contacts with the Debtor through discussions with the D&L attorneys who have provided services to the Debtor and in consultation with senior management of the Debtor, a copy of the categories of such entities is attached hereto as Schedule 1 (the "Retention Checklist").
- b. D&L obtained information responsive to the Retention Checklist through several inquiries of the Debtor's senior management and review of documents provided by the Debtor to D&L. D&L then used that information, together with other information identified by D&L, to compile a list of the names of persons or entities that may be parties in interest in this chapter 11 case (the "Potential Parties in Interest").
- c. D&L maintains various databases as part of its conflict clearance and billing records (the "Conflicts Databases"). The Conflicts Databases include the names of entities for which any attorney time charges have been billed since the databases were created. The Conflicts Databases include the name of each current or former client, the names of the parties who are or were related or adverse to such current or former client, and the names of the D&L personnel who are or were responsible for current or former matters for such client. It is the policy of D&L that no new matter may be accepted or opened within the Firm without completing

and submitting to those charged with maintaining the conflict clearance system the information necessary to check each such matter for conflicts, including the identity of the prospective client, the name of the matter, adverse parties and, in some cases, parties related to the client or to an adverse party. Accordingly, the databases are updated for every new matter undertaken by D&L. The accuracy of the system is a function of the completeness and accuracy of the information submitted by the attorney opening a new matter.

- d. D&L submitted the names of each of the Potential Parties in Interest to compile a comparison against client matters in the Conflicts Databases for which professional time was recorded during the two years prior to the comparison.<sup>3</sup> Any matches to names in the Conflicts Databases generated by the comparison were compiled in a list, together with the names of the respective D&L personnel responsible for the identified client matters (the “Match List”).
- e. A D&L attorney then reviewed the Match List and deleted obvious name coincidences and individuals or entities that were adverse to D&L’s clients in both this matter and the matter referenced on the Match List.
- f. Using information in the Conflicts Databases concerning entities on the Match List, and making general and, if applicable, specific inquiries of D&L personnel, D&L verified that it does not represent and has not represented any entity on the Match List in a matter connected to the Debtor or this chapter 11 case.
- g. In addition, a general inquiry to all D&L personnel (attorneys and staff) was sent by electronic mail to determine whether any such individual or any member of his or her household (i) holds a claim against, or equity interests in, the Debtor; (ii) is or was an officer, director, or employee of any of the Debtor; or (iii) is related to (a) any bankruptcy judge for the Southern District of New York and/or (b) any employee of the United States Trustee for Region 2 (New York, Connecticut, and Vermont).

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<sup>3</sup> For purposes of the Firm Disclosure Procedures, D&L considers an entity a “former client” if all matters for such client have been closed or, if any matters for such client have not been closed, if no billable time for such client has been recorded in the past two years. Because the Firm Disclosure Procedures only reflect client activity during the past two years, matches to client matters outside that timeframe are not reflected in this Affidavit.

**D&L's Connections with Parties in Interest  
in Matters Unrelated to this Chapter 11 Case**

26. In applying the Firm Disclosure Procedures, D&L has identified the client connections disclosed below. The connections are categorized as follows: (i) Potential Parties in Interest, or affiliates thereof, for which D&L has rendered services within the last two (2) years ("Current Clients"); (ii) Potential Parties in Interest, or affiliates thereof, for which D&L has rendered services in the past two (2) years and with respect to which D&L's engagement is closed ("Former Clients"); (iii) Potential Parties in Interest, or affiliates thereof, which have either a name similar to a client identified on the Match List, or may be related to such a client, or a D&L engagement has been opened but no services have been rendered within the last six (6) months ("Potential Clients"); and (iv) Potential Parties in Interest, or affiliates thereof, which have a substantive relationship to a matter for which D&L rendered services to a Current or Former Client, or affiliate thereof ("Related Entities").

27. Included in the identified client connections are those Current Clients, Former Clients, Potential Clients and Related Entities that have connections with AAC. Although not required, identification of such client connections was undertaken as an additional step towards showing that D&L does not hold or represent any interest that is adverse to the Debtor and its chapter 11 estate. Potential Parties in Interest include underwriters and trustees of all policies issued and outstanding as of the date hereof and all persons and entities that received payments from AAC within the past two years as reflected in AAC's accounts payable ledger. Such parties do not include any of the holders of policies (approximately 15,000) issued and outstanding and counterparties to agreements related thereto.<sup>4</sup>

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<sup>4</sup> It is not possible for D&L or the Debtor to identify such parties as there is no central repository for such information. Moreover, given the number of parties involved, such a search would be costly, time consuming and unlikely to identify additional relevant parties in interest.

28. All client connections were diligently reviewed by an attorney working under my supervision. From such review, it was determined that, except as may be disclosed below, with respect to each connection between D&L and such parties, D&L does not hold or represent an interest that is adverse to the Debtor’s estate, and that D&L is a “disinterested person” as such term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, for the reasons discussed below.

**A. Current Clients**

29. In applying the Firm Disclosure Procedures, D&L has determined that D&L has rendered services within the past two (2) years to the Current Clients described below, or their affiliates, in matters unrelated to the Debtor and this chapter 11 case.

<b>Matched Entity</b>	<b>Relationship to Debtor</b>	<b>Relationship to D&amp;L</b>
Alliance Bernstein L.P.	Equity Holder	Current Client
American Express	Vendor	Current Client
American Friends of Soroka	AAC Vendor	Current Client
American Museum of Natural History	AAC-Insured Credit	Current Client
Assured Guaranty Corp	AAC Reinsurer	Current Client
Banc of America Securities LLC	Contract Counterparty	Current Client
Banco Santander, S.A.	Contract Counterparty	Current Client
Bank of America, N.A.	AAC Trustee	Current Client
Bank of America Merrill Lynch	AAC Contract Counterparty	Current Client
Bank of New York	Bank/Lender Contract Counterparty	Current Client
Bank of New York Mellon	Agent Contract Counterparty Major Creditor	Current Client
Barclays Bank PLC	Contract Counterparty	Current Client
Barclays Capital Inc.	Bondholder Contract Counterparty	Current Client
The Blackstone Group, L.P.	Parent of Professional Seeking Retention	Current Client
Bloomberg	Major Creditor Vendor	Current Client
Bridge Associates LLC	Vendor	Current Client
Brooklyn Academy of Music	AAC-Insured Credit	Current Client
Brooklyn Botanic Garden	AAC-Insured Credit	Current Client
Brooklyn Friends School	AAC-Insured Credit	Current Client
Capmark Financial Group, Inc.	AAC Creditor	Current Client
Catholic Charities	AAC-Insured Credit	Current Client
Centerbridge Partners L.P.	Bondholder	Current Client

<b>Matched Entity</b>	<b>Relationship to Debtor</b>	<b>Relationship to D&amp;L</b>
Citibank, N.A.	Bank/Lender Contract Counterparty	Current Client
Citigroup Global Markets Inc.	Contract Counterparty Bondholder	Current Client
Commerzbank AG	Equity Holder Contract Counterparty	Current Client
Consolidated Edison of New York	Underwriter of AAC Policies	Current Client
Credit Suisse Securities LLC	Contract Counterparty Bondholder Equity Holder	Current Client
Customer Asset Protection Company	AAC Contract Counterparty	Current Client
Deutsche Bank AG	Contract Counterparty	Current Client
Deutsche Bank AG London	Bondholder	Current Client
Deutsche Bank AG New York	Contract Counterparty	Current Client
Ernst & Young	Vendor	Current Client
Financial Guaranty Insurance Company	AAC Reinsurer	Current Client
GE Capital	Vendor	Current Client
Goldman Sachs & Company, Inc.	Contract Counterparty	Current Client
Grant Thornton LLP	Vendor	Current Client
Hewlett Packard Company	Vendor	Current Client
HSBC Securities (USA), Inc.	Contract Counterparty	Current client
Jazz at Lincoln Center	AAC-Insured Credit	Current Client
Jefferies & Company, Inc.	Bondholder	Current Client
JP Morgan Securities, Inc.	Contract Counterparty	Current Client
Keefe, Bruyette & Woods, Inc.	Contract Counterparty	Current Client
KPMG	Vendor	Current Client
Lazard Frères & Co., LLC	Major Creditor Vendor	Current Client
Lehman Brothers Inc.	Contract Counterparty	Current Client
March of Dimes	AAC-Insured Credit	Current Client
Marsh USA Inc.	Major Creditor Vendor	Current Client
McDermott, Will & Emery LLC	AAC Vendor	Current Client
McKinsey & Company, Inc - US	AAC Vendor	Current Client
Metropolitan Life Insurance Company	Equity Holder Vendor	Current Client
Morgan Stanley & Co., Incorporated	Contract Counterparty	Current Client
New York University	AAC-Insured Credit	Current Client
Nixon Peabody LLP	Vendor	Current Client
Pacific Life Insurance Company	AAC Contract Counterparty	Current Client
Paetec Communications Inc	Vendor	Current Client
Pricewaterhousecoopers LLP	Vendor	Current Client
Promark Investment Advisors, Inc.	Equity Holder	Current Client
Proskauer Rose LLP	Professional	Current Client
Quest Software, Inc.	Vendor	Current Client
Radian Asset Assurance Inc.	AAC Reinsurer	Current Client
Raymond James & Associates, Inc.	Contract Counterparty	Current Client

Matched Entity	Relationship to Debtor	Relationship to D&L
RBS Securities Inc.	Contract Counterparty Bondholder	Current Client
Royal Bank of Canada	Bondholder	Current Client
Royal Bank of Scotland	Contract Counterparty	Current Client
Royal Bank of Scotland PLC	Equity Holder	Current Client
SBLI USA Mutual Life Insurance Company, Inc.	Bondholder	Current Client
Sidley Austin LLP	AAC Vendor	Current Client
Societe Generale	Contract Counterparty	Current Client
Squire, Sanders & Dempsey	AAC Vendor	Current Client
State of New Jersey	AAC-Insured Credit	Current Client
Teachers Insurance & Annuity Association College Retirement Equities Fund	Equity Holder	Current Client
The Hartford	Insurer	Current Client
UJA Federation	AAC-Insured Credit	Current Client
United Parcel Service	AAC Vendor	Current Client
Universal-Investment-Gesellschaft	Equity Holder	Current Client
Verisign, Inc.	Vendor	Current Client
Verizon	Vendor	Current Client
Wells Fargo Bank, N.A.	AAC Contract Counterparty	Current Client
Wells Fargo Securities, LLC	Bondholder	Current Client
Wells Fargo Securities, LLC	Bondholders	Current Client
Wells Fargo Securities, LLC	Bondholder	Current Client

30. To the best of my knowledge and information, none of the entities listed as Current Clients represent more than one percent (1%) of D&L's revenues over the past twelve (12) months, other than the following entities, with the applicable percentages indicated: Metropolitan Life Insurance Company (2.4%); Capmark Financial Group Inc. (2.2%); Deutsche Bank AG (NY Branch) (1.2%); Barclays Capital Inc. (1%). Should any of these representations become adverse to the Debtor, the Debtor is seeking to retain the Togut Firm as conflicts counsel to represent the Debtor in any bankruptcy-related litigation related thereto.

31. AAC is a creditor in *In re Capmark Financial Group, Inc.*, a chapter 11 case pending in the United States Bankruptcy Court for the District of Delaware in which D&L represents the debtors (collectively, "Capmark"). Capmark has retained conflicts counsel and, to the extent that a conflict arises between the Capmark and the Debtor, Capmark's conflicts counsel, and not D&L, will undertake representation of Capmark.

32. Prior to the Commencement Date, Legal & General America, together with its subsidiaries Banner Life Insurance Company, William Penn Life Insurance Company of New York, and First British American Reinsurance Company (collectively, “L&G”), asked my partner, Scott D. Avitabile, for D&L’s advice with respect to the unwinding of a 2004 triple x capital markets funding transaction for which AAC issued financial guarantee insurance. In order to unwind this transaction, it will be necessary to get several consents from AAC relating to the termination and amendment of certain transaction documents and the distribution of funds from the reinsurance trust accounts. Based on early indications from L&G after orally discussing this plan briefly with representatives of AAC, D&L does not expect this transaction to be in any way contentious or adverse to AAC. D&L will not represent AAC on this matter.

33. In August 2009, my partner, Elizabeth Powers, represented Idaho Power Company (“Idaho Power”) in the negotiation of two release agreements terminating two financial guarantee insurance policies and related insurance agreements with AAC. With AAC’s and Idaho Power’s prior approval, in these negotiations, AAC was represented by my partner, Peter Baumgaertner. D&L’s predecessor firm, LeBoeuf, Lamb, Greene & McCrae LLP (“LeBoeuf Lamb”) represented AAC in its issuance to The Bank of New York, as insurance trustee, of a financial guarantee insurance policy, dated October 22, 2003, for the benefit of holders of \$49,800,000 pollution control revenue refunding bonds issued by Humboldt County, Nevada for the benefit of Idaho Power (the “Humboldt Bonds”), and the insurance agreement between AAC and Idaho Power related thereto. LeBoeuf Lamb also represented AAC in its issuance to The Bank of New York, as insurance trustee, of a financial guarantee insurance policy, dated October 3, 2006, for the benefit of holders of \$116,300,000 pollution control revenue refunding bonds issued by Sweetwater County, Wyoming for the benefit of Idaho Power

(the “Sweetwater Bonds”), and the insurance agreement between AAC and Idaho Power related thereto. On August 20, 2009, AAC, Idaho Power Company, Union Bank, N.A., the bond trustee for the Humboldt Bonds, Humboldt County, Nevada and JPMorgan Securities Inc, the remarketing agent, entered into a release agreement, terminating the financial guarantee insurance policy and the related insurance agreement. On that same date, AAC, Idaho Power, Union Bank, N.A., the bond trustee for the Sweetwater Bonds, Sweetwater County, Wyoming and JPMorgan Securities Inc, the remarketing agent, entered into a release agreement, terminating the financial guarantee insurance policy and the related insurance agreement.

34. In May 2006, D&L represented Scottish Re (U.S.), Inc. and its affiliates (collectively, “Scottish Re”) in a life reinsurance securitization transaction, pursuant to which Ambac Assurance UK Limited (“Ambac UK”), an indirect, wholly owned subsidiary of the Debtor, insured debt securities issued by Ballantyne Re plc, an Irish special purpose reinsurer. In November 2008, D&L represented Scottish Re in a restructuring of the foregoing transaction. The restructuring was subject to the prior consent of Ambac UK, which the parties obtained.

**B. Former Clients**

35. In applying the Firm Disclosure Procedures, D&L has determined that the following Potential Parties in Interest are Former Clients.

<b>Matched Entity</b>	<b>Relationship to Debtor</b>	<b>Relationship to D&amp;L</b>
Loyens & Loeff (USA) BV	AAC Vendor	May Be Related to Former Client <sup>5</sup>
Goldman Sachs International	AAC Vendor	Former Client
Hudson	Major Insurance Carrier	May Be Related to Former Client
Oracle Corporation	Vendor	Former Client
Pacific Indemnity	Major Insurance Carrier	May Be Related to Former Client
RBC Capital Markets	AAC Contract Counterparty	May Be Related to Former Client

<sup>5</sup> This description is used in the event that those entities flagged in our conflicts search and those entities provided to D&L by the Debtor were similar but the names were not perfect matches.

### C. Potential Clients

36. In applying the Firm Disclosure Procedures, D&L has determined that the following Potential Parties in Interest are Potential Clients.

<b>Matched Entity</b>	<b>Relationship to Debtor</b>	<b>Relationship to D&amp;L</b>
Banc of America Securities Merrill Lynch	Equity Holder	May Be Related to Current Client
The Bank of New York Mellon Corp., Private Banking & Securities Investments	Equity Holder	May Be Related to Current Client
The Bank of New York Trust Company, N.A.	AAC Trustee	May Be Related to Current Client
Barclays PLC, Private Banking & Investment Banking	Equity Holder	May Be Related to Current Client
BDO	AAC Vendor	May Be Related to Current Client
BNP Paribas Arbitrage SA, Asset Management Arm	Equity Holder	May Be Related to Current Client
Calyon, Hong Kong Branch	AAC Contract Counterparty	May Be Related to Current Client
Canadian Imperial Bank of Commerce, Private and Investment Banking Arm	Equity Holder	May Be Related to Current Client
Capital One Auto Finance, Inc.	AAC Contract Counterparty	May Be Related to Current Client
Capital One NA	AAC Vendor	May Be Related to Current Client
Cigna	Major Insurance Carrier	May Be Related to Current Client
CIT	AAC Contract Counterparty	May Be Related to Current Client
Commerzbank AG London Branch	Contract Counterparty	May Be Related to Current Client
Commerzbank AG, Asset Management Arm	Equity Holder	May Be Related to Current Client
Cooperatieve Centrale Raiffeisen- Boerenleenbank B.A., Rabobank International, London Branch	Contract Counterparty	May Be Related to Current Client
Credit Suisse, Investment Banking and Securities Investments	Equity Holder	May Be Related to Current Client
D.E. Shaw Investment Management, LLC	Equity Holder	May Be Related to Current Client
Deutsche Asset Management Group	Equity Holder	May Be Related to Current Client
Deutsche Bank Securities Inc.	Contract Counterparty	May Be Related to Current Client
Deutsche Bank, Private Banking and Investment Banking Investment	Equity Holder	May Be Related to Current Client
Dresdner Kleinwort Securities LLC	Contract Counterparty	May Be Related to Current Client
GMAC Mortgage Corporation	AAC Vendor	May Be Related to Current Client
GMAC Rescap	AAC Vendor	May Be Related to Current Client
Goldman Sachs Asset Management	Equity Holder	May Be Related to Current Client
Goldman Sachs Group, Investment Banking and Securities Investments	Equity Holder	May Be Related to Current Client

<b>Matched Entity</b>	<b>Relationship to Debtor</b>	<b>Relationship to D&amp;L</b>
Goldman Sachs Mitsui Marine Derivatives Products, L.P.	AAC Contract Counterparty	May Be Related to Current Client
Great American	Major Insurance Carrier	May Be Related to Current Client
HSBC Bank PLC	AAC Vendor	May Be Related to Current Client
HSBC Global Asset Management (UK) Limited	Equity Holder	May Be Related to Current Client
HSBC Trink & Burk (Intl) SA	Bondholder	May Be Related to Current Client
Hudson	Major Insurance Carrier	May Be Related to Current Client
JP Morgan Chase Bank	Contract Counterparty	May Be Related to Current Client
JPMorgan Asset Management Holdings Inc.	Equity Holder	May Be Related to Current Client
JPMorgan Chase & Co, Private Banking and Investment Banking Investments	Equity Holder	May Be Related to Current Client
KPMG Executive Education	AAC Vendor	May Be Related to Current Client
Law Debenture	AAC Vendor	May Be Related to Current Client
Lehman Brothers Special Financing Inc.	AAC Contract Counterparty	May Be Related to Current Client
Liberty Mutual	Major Insurance Carrier	May Be Related to Current Client
Marsh Ltd	AAC Vendor	May Be Related to Current Client
MBIA Insurance Corporation	AAC Reinsurer	May Be Related to Current Client
Merrill Lynch & Co. Inc.	Related to AAC	May Be Related to Current Client
Merrill Lynch & Co. Inc., Asset Management Arm	Equity Holder	May Be Related to Current Client
Merrill Lynch Government Securities Inc.	Contract Counterparty	May Be Related to Current Client
Merrill Lynch, Pierce, Fenner & Smith Incorporated	Contract Counterparty	May Be Related to Current Client
Metropolitan Life Insurance Company, Asset Management Arm	Equity Holder	May Be Related to Current Client
Moody's Investor Service Ratings Research	Vendor	May Be Related to Current Client
Morgan Stanley, Investment Banking and Brokerage Investments	Equity Holder	May Be Related to Current Client
Mutual of Omaha Insurance Company	AAC Contract Counterparty	May Be Related to Current Client
National Union	Major Insurance Carrier	May Be Related to Current Client
Natixis Financial Products, Inc.	Agreement Counterparty	May Be Related to Current Client
Rangemark Financial Services Inc.	AAC Vendor Former Subsidiary	May Be Related to Current Client
RBS Greenwich Capital	AAC Contract Counterparty	May Be Related to Current Client
Royal Bank of Canada London	Bondholder	May Be Related to Current Client
Societe Generale Securities Division, Investment Arm	Equity Holder	May Be Related to Current Client
The Bank of New York Mellon Corp. Private Banking & Securities Investments	Equity Holder	May Be Related to Current Client
The Bank of New York Mellon Corp. Private Banking & Securities Investments	Equity Holder	May Be Related to Current Client

<b>Matched Entity</b>	<b>Relationship to Debtor</b>	<b>Relationship to D&amp;L</b>
The Royal Bank of Scotland PLC, Asset Management Arm	Equity Holder	May Be Related to Current Client
UBS AG	Bondholder	May Be Related to Current Client
UBS AG, London Branch	Contract Counterparty	May Be Related to Current Client
UBS Global Asset Management	Equity Holder	May Be Related to Current Client
UBS Securities LLC	Equity Holder	May Be Related to Current Client
US Bank, N.A.	AAC Vendor	May Be Related to Current Client
USAA Investment Management Company	Equity Holder	May Be Related to Current Client
Verizon Business	Vendor	May Be Related to Current Client
Verizon Wireless	Vendor	May Be Related to Current Client
Wachovia Capital Markets, LLC	Contract Counterparty	May Be Related to Current Client
Wachovia Securities, Inc.	Contract Counterparty	May Be Related to Current Client
Wachovia Securities, LLC	AAC Trustee	May Be Related to Current Client
Washington Mutual Bank	AAC Contract Counterparty	May Be Related to Current Client
Wells Fargo & Company, Private Banking and Investment Banking Arm	Equity Holder	May Be Related to Current Client
Wells Fargo Home Mortgage	AAC Trustee	May Be Related to Current Client
Wells Fargo Vann Kasper, LLC	Contract Counterparty	May Be Related to Current Client
Wilmington Trust Company	AAC Contract Counterparty	May Be Related to Current Client
Wilmington Trust Investment Management, LLC	Equity Holder	May Be Related to Current Client
Wilmington Trust Retirement	AAC Vendor	May Be Related to Current Client
Workers Compensation Fund	Bondholder	May Be Related to Current Client
Zurich	Major Insurance Carrier	May Be Related to Current Client
Zurich International UK	Major Insurance Carrier	May Be Related to Current Client

#### **D. Related Entities**

37. In applying the Firm Disclosure Procedures, D&L has determined that the following Potential Parties in Interest are Related Entities.

<b>Matched Entity</b>	<b>Relationship to Debtor</b>	<b>Relationship to D&amp;L</b>
Barclays PLC, Private Banking & Investment Banking	Equity Holder	Client Related
Blackstone Advisory Services LP	Predecessor Entity to Proposed Retained Professional	Affiliate of Current Client
Citigroup Inc., Asset Management Arm	Equity Holder	Client Related

38. D&L has not, and will not, represent any of the aforementioned entities, or any of their respective affiliates or subsidiaries, in relation to the Debtor or its chapter 11 case. To the extent the Debtor finds itself in a position adverse to any of the parties with whom D&L has a relationship unrelated to this case, the Togut Firm will represent the Debtor on such matters.

### **D&L Personnel Inquiry**

39. D&L has conducted a general inquiry of its personnel to determine whether any D&L personnel or any member in his or her household (i) owns any debt or equity securities of the Debtor; (ii) holds a claim against the Debtor; (iii) is or was an officer, director, or employee of the Debtor, (iv) is related to any bankruptcy judge for the Southern District of New York, and/or (v) is related to any employee of the United States Trustee for Region 2 (New York, Connecticut, and Vermont).

40. As a result of this inquiry, I determined that Lauren C. Cohen, an associate in our Business Solutions and Governance group, recently joined our group from Willkie, Farr & Gallagher LLP. While there, she worked with the Honorable Judge Shelley C. Chapman, a former partner at that firm, on matters unrelated to the Debtor or this chapter 11 case. Ms. Cohen may, from time to time, be asked to work on matters related to this chapter 11 case.

41. Also, from time to time, D&L provided summer and temporary employment to the son of the Debtor's general counsel.

42. Further, one junior associate of D&L is on a secondment to the Debtor. The secondment began on October 6, 2010, and will continue, unless further extended, until December 31, 2010. D&L continues to pay this employee's salary, and the secondee is not considered an employee of the Debtor.

43. Additionally, I have determined that one member and two employees of D&L own the Debtor's securities. It should be noted that D&L has a long-standing policy prohibiting all lawyers and support staff from using confidential information that may come to their attention in the course of their work. In this regard, all personnel are barred from trading in securities with respect to which they possess confidential information.

### **Supplemental Disclosure**

44. To the extent it is brought to my attention that any information disclosed herein requires amendment or modification as a result of D&L's further review of potential conflicts of interest, I intend to file a supplemental declaration to the Court reflecting such amended or modified information. As a matter of retention and disclosure policy, D&L will continue to apply the Firm Disclosure Procedures as additional information concerning entities having a connection with the Debtor is developed and, as necessary, will file appropriate supplemental disclosures with the Court.

### **D&L's Rates and Billing Practices**

45. D&L's current customary hourly rates, subject to change from time to time, are \$625 to \$975 for members and counsel, \$385 to \$625 for associates, and \$125 to \$385 for paraprofessionals in D&L's United States offices expected to work on this chapter 11 case.

46. D&L's disbursement policies pass through to its clients all out of pocket expenses at actual cost or an estimated actual cost when the actual cost is difficult to determine. For example, as it relates to computerized research, D&L believes that it does not make a profit on that service as a whole, although the cost of any particular search is difficult to ascertain. Other client reimbursable expenses (whether the service is performed by D&L in-house or through a third party vendor) include, but are not limited to, charges for facsimiles, toll calls, business meals, couriers, messengers, court costs, conference costs (food), transcript fees, travel, and clerk fees.

47. No promises have been received by D&L or any member, counsel or associate thereof as to payment or compensation in connection with these cases other than in accordance with the provisions set forth herein. D&L has no agreement with any other entity to share with such entity any compensation received by D&L or by such entity.

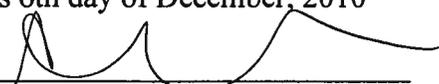
48. The Debtor's Application requests, pursuant to section 328(a) of the Bankruptcy Code, approval of its retention of D&L on rates, terms and conditions consistent with what D&L charges non-chapter 11 clients, namely, prompt payment of its hourly rates as adjusted from time to time and reimbursement of out-of-pocket disbursements at cost or based on formulae that approximate the actual cost where the actual cost is not easily ascertainable. Subject to these terms and conditions, D&L intends to apply to this Court, pursuant to section 330 of the Bankruptcy Code, for allowances of compensation for professional services rendered in this chapter 11 case and for reimbursement of actual and necessary expenses incurred in connection therewith.

The foregoing constitutes the statement of D&L pursuant to Bankruptcy Code sections 327(a), 328(a), 329(a), and 504, Bankruptcy Rules 2014(a) and 2016(b), and Local Rules 2014-1 and 2016-1.

Executed on this 6th day of December, 2010.

  
\_\_\_\_\_  
Michael Groll

Subscribed and Sworn to before me  
this 6th day of December, 2010

  
\_\_\_\_\_  
Notary Public, State of New York

No.

Qualified in NY County

Commission expires: June 3, 2011

**ALLISON WEISS**  
**NOTARY PUBLIC, State of New York**  
**No. 08WE041380**  
**Qualified in New York County**  
**Commission Expires June 3, 2011**

**SCHEDULE 1**

**Retention Checklist**

## Categories of Entities with Contacts to the Debtor

1. Debtor & Affiliates (including non-debtor affiliates and former names)
2. Current Directors and Officers
3. Former Directors and Officers
4. Lease Counterparties
5. Contract Counterparties
6. Thirty<sup>1</sup> Largest Unsecured Creditors
7. Additional Major Creditors<sup>2</sup>
8. Vendors (including Former and Current Employees)
9. Bondholders (as of July 21, 2010)<sup>3</sup>
10. Agent for the Bondholders
11. Indenture Trustees
12. Parties to Significant Litigation
13. Major Insurance Carriers, Agents, and Brokers
14. Equity Holders Holding More than 5% of Ambac Financial Group, Inc.
15. Other Equity Holders
16. Other Professionals Retained by the Debtor and by Certain Bondholders
17. Ordinary Course and Other Professionals
18. Employees (current and former)
19. Taxing and Authorities, and Other Governmental Authorities with Claims
20. Key Staff Members of the Office of the United States Trustee for the Southern District of New York
21. Miscellaneous Parties

### AMBAC ASSURANCE CORPORATION LIST

1. Trustees
2. Student Loans
3. Reinsurers
4. Master Mailing List
5. Vendor

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<sup>1</sup> List contains less than thirty unsecured creditors.

<sup>2</sup> Currently shows vendors (not necessarily creditors).

<sup>3</sup> Per report produced by MacKenzie Partners, Inc. Note: report is not comprehensive and does not specify retail accounts, unidentified hedge funds and unidentified institutions.