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ROBIN CARNAHAN
SECRETARY OF STATE
STATE OF MISSOURI

MATTHEW D. KITZI
COMMISSIONER OF SECURITIES
(573) 751-4136

March 18, 2011

VIA ELECTRONIC MAIL & U.S. MAIL

Terry D. Nelson
Foley & Lardner LLP
Attorneys at Law
Verez Plaza
150 East Gilman Street
Madison, Wisconsin 53703-1481

Re: Request for a No-Action Determination under Section 409.6-605(d), RSMo.
Missouri File No. R2010-2297
Foley & Lardner Client/Matter Number 092281-0101

Dear Mr. Nelson,

This letter responds to your request, on behalf of the Segregated Account of Ambac Assurance Corporation (the "Segregated Account"), for no-action relief in connection with a transaction proposed by the Segregated Account. Specifically, you asked this office to confirm that it will not institute enforcement proceedings if, under the Plan of Rehabilitation as approved by the Court, the Segregated Account issues Surplus Notes to Claims without registration of the Surplus Notes, the Segregated Account, or its agents under the Missouri Securities Act of 2003 (the Act). (In this letter, capitalized terms have the same meanings as defined in your letter.) A copy of your most recent letter has been enclosed for your reference.

Based solely on the representations you made in the enclosed letter, the Commissioner will take no action to require the Segregated Account to comply with sections 409.3-301, 409.4-402(a), or 409.5-504 in connection with its offering or selling the Surplus Notes to Claims in the State of Missouri. This "no-action" position does not constitute an exclusion from the anti-fraud provisions of the Act. This position is based on the facts presented, and, should the facts differ from those presented in any manner, the position of the Commissioner may differ. This de-termination is applicable only to the matter at hand and the specific facts related to the same by the requesting party. This determination sets no precedent and is no way binding on the Commissioner when applied to any other matter, requesting party, or set of facts.

Sincerely,

Matthew D. Kitzi
Commissioner of Securities

Encl.



SECURITIES DIVISION

JAN 28 2011

**MISSOURI
SECRETARY OF STATE**

January 27, 2011

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CLIENT/MATTER NUMBER
092281-0101

VIA FEDERAL EXPRESS

Patrick Morgan
Chief Counsel
Missouri Office of the Secretary of State
600 West Main Street
Jefferson City, MO 65101

Re: Third Supplement to Request for Confirmation of
Availability of Exemption and/or a No-Action Position for
the Issuance of Surplus Notes

Dear Mr. Morgan:

We are once again writing on behalf of the Segregated Account of Ambac Assurance Corporation (the "Segregated Account" and "Ambac Assurance" respectively), to provide you with a copy of the Decision and Final Order of the State of Wisconsin Circuit Court for Dane County on January 24, 2011 Confirming the Rehabilitator's Plan of Rehabilitation, with Findings of Fact and Conclusions of Law (the "Order") The enclosed copy of the Order will supplement your file in connection with our pending initial request for confirmation of the availability of an exemption from registration or a no-action position concerning the issuance of the Surplus Notes (as previously defined) by the Segregated Account under the Plan of Rehabilitation (the "Plan"). Terms not otherwise defined in this letter will have the same meaning as in our initial no-action letter request and supplements thereto.

In addition, at this time we are supplementing our initial request for confirmation of the availability of an exemption and/or a request for a no-action position to inform you that on December 27, 2010, the Segregated Account and Ambac Assurance entered into a Settlement Agreement (the "Settlement Agreement") with Nuveen Asset Management, Restoration Capital Management LLC and Stone Lion Capital Partners L.P., on behalf of themselves and/or funds and accounts managed or controlled by them, as holders of Las Vegas Monorail Project Revenue Bonds, 1st Tier Series 2000, consisting of current interest bonds and capital appreciation bonds (the "LVM Insured Bonds"). Pursuant to the Settlement Agreement, the Segregated Account will issue surplus notes ("Surplus Notes") to Wells Fargo Bank, N.A., as trustee (the "Trustee"), on behalf of holders of LVM Insurance Bonds (the "LVM Bondholders") in partial satisfaction of its obligations under the financial guaranty insurance policy and surety bond issued for the benefit of the LVM Bondholders (the "LVM Policies").

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I. Description of the Settlement Agreement and Surplus Notes

Pursuant to the Settlement Agreement, the Segregated Account will issue to the Trustee, on behalf of the LVM Bondholders in partial satisfaction of their Claims under the financial guaranty insurance policies insuring the LVM Insured Bonds, Surplus Notes in the aggregate principal amount of not more than \$90,000,000.

The Settlement Agreement provides two alternative methods for resolving claims of the LVM Bondholders against the Segregated Account. The primary method (referred to as the "commutation") provides that the LVM Policies will be commuted and the Segregated Account will be released from all liabilities and obligations thereunder. In consideration for such commutation and release, the LVM Bondholders will receive their pro rata share of a cash payment equal to \$111 million and \$90 million in principal amount of Surplus Notes issued by the Segregated Account.¹

In the event that the commutation cannot be consummated, the claims of certain of the LVM Bondholders against the Segregated Account will be resolved through an alternative method (referred to as the "offer to purchase") in which the Segregated Account will commence an offer to purchase from all LVM Bondholders their rights under the LVM Policies. The offer to purchase will be conducted through a "synthetic commutation" in which all obligations of the Segregated Account under the LVM Policies will be fully and completely terminated and released as to all LVM Bondholders that accept the offer to purchase, but the rights of such LVM Bondholders against the Las Vegas Monorail Company in respect of the LVM Insured Bonds will be preserved. Those LVM Bondholders that do not accept the offer to purchase will retain their rights against the Segregated Account in respect of the LVM Policies. In consideration for the termination and release of all obligations of the Segregated Account under the LVM Policies to each LVM Bondholder that accepts the offer to purchase, each such LVM Bondholder will receive its pro rata share of a cash payment equal to \$111 million and \$81 million in principal amount of Surplus Notes issued by the Segregated Account, assuming that all LVM Bondholders accepted the offer to purchase, i.e., if fewer than all LVM Bondholders accept the offer to purchase, then the aggregate cash payment and aggregate principal amount of Surplus Notes would be reduced proportionately.²

Consistent with the terms and conditions of the form of surplus note to be issued to policyholders annexed to the Plan of Rehabilitation, the Surplus Notes will bear interest at the

¹ Both the cash payment and the principal amount of the Surplus Notes will be reduced by the amount of cash payments made or surplus notes issued, if any, under the LVM Policies between the date of the Settlement Agreement and the closing of the commutation.

² As with the commutation method, the cash payment and the principal amount of the Surplus Notes will be reduced by the amount of cash payments made or surplus notes issued, if any, under the LVM Policies between the date of the Settlement Agreement and the closing of the offer to purchase.



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rate of 5.1% per annum and will mature on June 7, 2020. By their terms, the Surplus Notes will be subordinated obligations and no payment of principal or interest may be made without the prior written approval of OCI. If OCI does not approve the payment of interest on the Surplus Notes, such interest will accrue and compound annually until paid or otherwise. The Surplus Notes will be issued at the closing of the commutation, as set forth in the Settlement Agreement.

Consistent with the requirements for an Alternative Resolution to Resolve Claims at Item 3.06 under the Plan, the approval of the Court is a condition to the closing of the commutation since the commutation involves the payment of cash by the Segregated Account in excess of \$50 million. A copy of the Settlement Agreement is attached.

Pursuant to the Settlement Agreement, the Claims of the LVM Bondholders will be exchanged for Surplus Notes, issued by the Segregated Account, and cash. Accordingly, there is an issuance of securities in exchange for securities, claims or property interests.

It is our belief that the proposed issuance of Surplus Notes contemplated by the Settlement Agreement does not materially change the facts and circumstances of our initial request (i.e., Surplus Notes will still be issued and the Plan of Rehabilitation gives the Rehabilitator certain alternative resolutions to resolve claims and the Settlement Agreement is part of the "reorganization" of the Segregated Account), we are providing you with the information contained herein concerning the proposed issuance of Surplus Notes pursuant to the Settlement Agreement for your consideration in providing the relief requested for the issuance of the Surplus Notes in your state by the Segregated Account pursuant to the court-approved Plan of Rehabilitation as well as for the issuance of the Surplus Notes pursuant to the court-approved Settlement Agreement.

In connection with such Settlement Agreement, we will once again apply, on behalf of the Segregated Account, for a no-action letter from the Securities and Exchange Commission ("SEC") in connection with reliance on the exemption from registration under Section 3(a)(10) of the Securities Act of 1933 for the proposed transaction pursuant to this Settlement Agreement as previously provided by the SEC for the issuance of the Surplus Notes. A copy of the SEC no-action request letter will be provided to you upon submission to the SEC.

* * *

Based on the foregoing, we respectfully request: (i) either a confirmation that the exemption from securities registration described in our initial request letter is available for the issuance of the Surplus Notes under the Plan and the Settlement Agreement in your jurisdiction or that you will take a no-action position in the event that the Surplus Notes will not be registered under the Act; and (ii) that the Segregated Account will not be required to register as a dealer under the Act and that none of its officers, directors, employees or agents will be required to register as agents under the Act.



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If for any reason you do not believe that you can provide the exemption confirmation and/or no action relief requested, we respectfully request an opportunity to confer with you prior to any written response.

If you have any questions about this request or desire any additional information regarding the matters discussed in this letter, please call the undersigned at (608) 258-4215 or Ann Recob at (608) 258-4279.

Please acknowledge receipt of the foregoing by stamping and returning the enclosed receipt copy of this letter in the self-addressed, stamped envelope enclosed for that purpose.

Very truly yours,

Terry D. Nelson

Enclosures

cc: Foley & Lardner LLP
Kevin G. Fitzgerald
Andrew A. Oberdeck
Jason M. Hille

Ambac Assurance Corporation
Kevin Doyle

Dewey & LeBoeuf LLP
Michael Groll
Richard B. Spitzer



SECURITIES DIVISION

NOV 10 2010

MISSOURI
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November 9, 2010

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CLIENT/MATTER NUMBER
092281-0101

Matt Kitzi,
Securities Commissioner
Missouri Office of the Secretary of State
600 West Main Street
Jefferson City, MO 65101

COPY

Re: Supplement to Request for Exemption Confirmation and/or
No-Action Relief for the Issuance of Surplus Notes by the
Segregated Account of Ambac Assurance Corporation

Dear Sir or Madam:

On behalf of the Segregated Account of Ambac Assurance Corporation (the "Segregated Account"), please find enclosed as a supplement to our recent filing, a copy of the revised SEC no-action letter as filed on behalf of the Segregated Account with the SEC on November 4, 2010 with certain attachments. The revised no-action letter responds to oral comments received from the SEC. A blacklined copy of the SEC no-action letter is included to mark the changes from the initial letter dated September 28, 2010.

The attachments as filed electronically with the SEC accompanying the revised SEC no-action letter and the explanation provided for each are as follows:

1. Plan of Rehabilitation. Section 5.01(a) indicates that the Court's finding of procedural and substantive fairness of the terms and conditions of the issuance of the Surplus Notes to the claimholders is a condition precedent to the approval of the Plan of Rehabilitation and the issuance of the Surplus Notes.
2. Rehabilitator's Motion for Confirmation of the Plan. Section 9 indicates that the Rehabilitator is seeking specific approval for the procedural and substantive fairness of the issuance of the Surplus Notes.
3. Notice of Filing. Section 6 sets forth the requirements of the policyholder trustees with respect to delivering written notice to the beneficial holders of the underlying financial instruments (claimholders) to which the applicable policy relates.



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Page 2

If you have any questions concerning the response letter to the SEC or desire any additional information with respect to our request, please call the undersigned at (608) 258-4215 or Ann Recob at (608) 258-4279.

Please acknowledge receipt of the foregoing by stamping and returning the enclosed receipt copy of this letter in the self-addressed, stamped envelope enclosed for that purpose.

Very truly yours,

Terry D. Nelson

Enclosures

cc: Foley & Lardner LLP
Steven R. Barth
Kevin G. Fitzgerald
Andrew A. Oberdeck
Jason M. Hille

Ambac Assurance Corporation
Kevin Doyle

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MISSOURI SECRETARY OF STATE

October 29, 2010

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CLIENT/MATTER NUMBER
092281-0101

SECURITIES DIVISION

NOV 0.1 2010

MISSOURI SECRETARY OF STATE

Matt Kitzi,
Securities Commissioner
Missouri Office of the Secretary of State
600 West Main Street
Jefferson City, MO 65101

COPY

Re: Request for Exemption Confirmation and/or No-Action
Relief for the Issuance of Surplus Notes by the Segregated
Account of Ambac Assurance Corporation

Dear Sir or Madam:

We are writing on behalf of the Segregated Account of Ambac Assurance
Corporation (the "Segregated Account"), which was established by Ambac Assurance
Corporation ("Ambac Assurance") pursuant to Wisconsin law, to request either confirmation of
an exemption from securities registration and/or no-action relief with respect to compliance with
the securities registration and broker-dealer and/or agent registration or licensing provisions
under the Missouri Uniform Securities Act of 2003 (the "Act") in connection with the proposed
issuance of Surplus Notes (as defined in Item III below) by the Segregated Account as described
herein. Ambac Assurance is a Wisconsin corporation and the principal operating insurance
company of Ambac Financial Group, Inc. ("AFGI").

We recently applied on behalf of the Segregated Account for a no-action letter
from the Securities and Exchange Commission ("SEC") in connection with reliance on the
exemption from registration under Section 3(a)(10) of the Securities Act of 1933 for the
proposed transaction. Section 3(a)(10) is available for offerings in which securities are issued in
exchange for one or more bona fide securities, claims or property interests, or partly in such
exchange and partly for cash, where the terms of the exchange are approved after a hearing upon
the fairness of the terms and conditions by, among others, any court or insurance commission. A
copy of our no-action request letter to the SEC is enclosed with this letter as Exhibit A.

Ambac Assurance and the Segregated Account have provided us with, and have
authorized us to make on their behalf, the factual representations about them set forth in this
letter.

1303-09-#100.50

No Action
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[Signature]

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Page 2

I. Background Information

Ambac Assurance, a Wisconsin-domiciled insurer authorized to transact surety and financial guaranty insurance, was incorporated under the laws of the State of Wisconsin on February 25, 1970. Ambac Assurance is a wholly-owned subsidiary of AFGI, a holding company headquartered in New York City, the common stock of which is publicly traded on the New York Stock Exchange. Ambac Assurance and its subsidiaries provide financial guarantee products and other financial services to clients around the world in both the public and private sectors. Ambac Assurance's insurance activities are divided into two lines of business: (i) financial guarantees and (ii) financial services. Due to the downgrades of Ambac Assurance's financial strength ratings and investor concerns with respect to its financial condition, Ambac Assurance has been able to originate only a de minimis amount of new financial guarantee business since November 2007, and no new business since January 1, 2009. Ambac Assurance offered financial guaranty insurance on investment grade municipal finance, project finance and structured-finance debt obligations, such as municipal bonds and residential mortgage-backed securities ("RMBS"). Generally, financial guaranty insurance provides an unconditional and irrevocable guarantee that protects the holder of a fixed-income obligation against non-payment of principal and interest when due. Ambac Assurance also guaranteed certain structured-finance debt obligations indirectly, whereby a non-insurance, wholly owned subsidiary of Ambac Assurance would enter into a credit-default swap with a counterparty that protected the counterparty from defaults of the underlying security issuer, and Ambac Assurance would, in turn, guarantee the financial obligations of its subsidiary.

Through its financial services subsidiaries, Ambac Assurance provided financial and investment products, including investment agreements, funding conduits, interest rate swaps, currency swaps and total return swaps, principally to clients of its financial guaranty business. Ambac Assurance guaranteed its subsidiaries' performance under those agreements. Ambac's financial guarantee business historically depended on triple-A ratings, as well as investor confidence in Ambac Assurance's financial strength. The deterioration of Ambac Assurance's financial condition resulting from losses in its insured portfolio and the resulting downgrades of Ambac Assurance's financial strength ratings have made it impossible for it to write new business. Due to the deterioration of Ambac Assurance's financial condition, the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") increased its oversight of Ambac Assurance and began to evaluate Ambac Assurance's ability to pay all claims in its insured portfolio.

On March 24, 2010, Ambac Assurance acquiesced to the OCI's request to establish the Segregated Account pursuant to Wis. Stat. Sec. 611.24(2). Also on March 24, 2010, the OCI filed a petition in the Dane County Circuit Court of the State of Wisconsin (the "Court") to rehabilitate the Segregated Account (the "Rehabilitation"). The Court granted the petition and appointed the Wisconsin Commissioner of Insurance as the rehabilitator of the Segregated Account (the "Rehabilitator"). The Rehabilitation pertains solely to the Segregated



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Account, which is a separate insurer from Ambac Assurance for purposes of the Rehabilitation. The Rehabilitation does not include Ambac Assurance, its general account or AFGI. The Segregated Account currently operates within the terms of an Order of Rehabilitation issued by the Court. On October 8, 2010, the Rehabilitator filed a plan of rehabilitation for the Segregated Account (the "Plan of Rehabilitation") with the Court for its approval, as contemplated by Wis. Stat. Sec. 645.33(5). Such section authorizes the Rehabilitator to prepare a "plan for reorganization, consolidation, conversion, reinsurance, merger or other transformation of the insurer." The Plan of Rehabilitation was accompanied by a Disclosure Statement (the "Disclosure Statement"). The Disclosure Statement summarizes and describes certain key components of the Plan of Rehabilitation. A copy of the Plan of Rehabilitation and the Disclosure Statement are enclosed herewith as Exhibit B and Exhibit C, respectively. In addition, electronic versions of the Plan of Rehabilitation, the Disclosure Statement and other key documents relating to the Rehabilitation are available online at <http://ambacpolicyholders.com> (the "Website"). The Website has been established by the Rehabilitator to provide claimants, as well as all interested parties, access to all of the relevant materials in connection with the Rehabilitation. The Segregated Account will operate within the terms of the Plan of Rehabilitation once it is approved by the Court and becomes effective.

II. Our Request

By this letter, we respectfully request confirmation from the Securities Commissioner of the Missouri Office of the Secretary of State (the "Securities Commissioner"), based upon the authority under Sec. 409.6-605(d) and Sec. 30-50-020(5) and Sec. 30-54.010(1) of the Act and the facts and circumstances described herein, of the availability of the securities registration exemption described below or that the Securities Commissioner will take a "no-action" position if, pursuant to the Plan of Rehabilitation as approved by the Court, the Segregated Account issues to holders of certain rights to payment from the Segregated Account (each, a "Claim") surplus notes ("Surplus Notes") in partial satisfaction of such Claims, without registration of the Surplus Notes or registration or licensing of the Segregated Account or any of its "agents" as a broker-dealer or agents, respectively, or issuer qualification provisions (if any), under the Act.

III. Description of the Surplus Notes Issuance

The Surplus Notes will be issued by the Segregated Account to the holders of permitted Claims in partial satisfaction of such Claims. The Surplus Notes will bear interest at the rate of 5.1% per annum and will mature on June 7, 2020. By their terms, the Surplus Notes will be subordinated obligations and no payment of principal or interest may be made without the prior written approval of the OCI. If the OCI does not approve the payment of interest on the Surplus Notes, such interest will accrue and compound annually until paid or otherwise.

The Surplus Notes will be issued from time to time in accordance with the Plan of Rehabilitation by means of a global Surplus Note eligible for deposit at The Depository Trust



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Corporation (the "DTC"). Each global Surplus Note will be executed by the Segregated Account and authorized and deposited with The Bank of New York Mellon, as fiscal agent for the Segregated Account (the "Fiscal Agent"). One global Surplus Note will be issued each month, with a principal amount equal to the portion of Claim payments from the previous month to be satisfied through the issuance of Surplus Notes. The Fiscal Agent will transfer the Surplus Notes to either the Segregated Account or directly to the holder in accordance with the rules and procedures of the Fiscal Agent and the DTC. Whether transferred initially to the Segregated Account or directly to the holder, the Surplus Notes will subsequently be posted via the DTC as a position on the books and records of the custodian for the insured obligations on the applicable Claims payment date, which varies by transaction. In most instances, such holders are serving as trustees for the beneficial owners of the underlying financial instrument(s) insured by the Ambac Assurance insurance policy. Accordingly, in their capacity as trustees, such holders will deliver the Surplus Notes, via the DTC, to the custodians holding positions on behalf of the beneficial holders. The custodians will then deliver the Surplus Notes to the accounts of the beneficial holders by posting the positions on the books and records of the beneficial holders. Accordingly, the Rehabilitator envisions that the ultimate holders of the Surplus Notes will be the beneficial owners of the underlying financial instrument(s) insured by the Ambac Assurance insurance policy. The Surplus Notes are transferrable by such owners as long as such transfer is made in compliance with applicable securities laws.

As noted above, in most instances, the holder of a Claim is serving as a trustee for the beneficial owners of the underlying financial instrument(s) insured by the Ambac Assurance insurance policy. Thus, while Ambac Assurance can readily identify the trustee that submits a Claim, it does not know and cannot typically obtain the identity of the beneficial owners that will ultimately receive the Surplus Notes. Accordingly, neither the OCI nor Ambac Assurance can determine the identity or number of beneficial owners that will receive the Surplus Notes in your jurisdiction. However, it is believed that most of the beneficial owners who will receive the Surplus Notes issued by the Segregated Account will be "Qualified Institutional Buyers" ("QIBs") as that term is defined under Rule 144A of the Securities Act of 1933.

IV. Legal Discussion

A. Securities Transaction Registration Exemption

Sec. 409.2-202(22)(B) of the Act provides that the following transaction is exempt from the securities registration requirements under the Act: An act incident to a judicially approved reorganization in which a security is issued in exchange for one or more outstanding securities, claims, or property interests, or partly in such exchange and partly for cash.

It appears that the issuance of the Surplus Notes by the Segregated Account would be an "act incident to a judicially approved reorganization. . ."



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As discussed in detail above, Ambac Assurance established the Segregated Account pursuant to Wis. Stat. Sec. 611.24(2) with the approval of the OCI, which is a state governmental agency. The establishment of the Segregated Account permitted Ambac Assurance, at the OCI's direction, to allocate to the Segregated Account only those policies, categories of policies or parts of its business for which a rehabilitation proceeding was necessary. The OCI then limited the Rehabilitation to the Segregated Account. The OCI determined this to be the most effective option in order to, among other things, rehabilitate certain troubled policies and segments of Ambac Assurance's business, while minimizing the risk of a regulatory proceeding with respect to the entire company, which could have caused an increase in losses and a reduction in Claims-paying resources. Pursuant to the Plan of Rehabilitation filed with the Court, holders of Claims will receive, in complete satisfaction of such Claims, a combination of cash payments and Surplus Notes. The Plan of Rehabilitation must be approved by the Court, and only after a hearing is conducted at which all persons exchanging Claims for Surplus Notes have the right to appear. In order for the Plan of Rehabilitation to become effective, the Court must find that the terms and conditions of the Issuance are procedurally and substantively fair.

While we could find no clarification as to the meaning of "reorganization" under the Act, Black's Law Dictionary, Ninth Edition defines "rehabilitation" to include the process of "reorganizing" a debtor's financial affairs under Chapter 11, 12, or 13 of the [Federal] Bankruptcy Code." While the Rehabilitation is not conducted under the Bankruptcy Code, it is being conducted under the state law equivalent applicable to insurance companies, as insurance companies are ineligible debtors under the Bankruptcy Code for the purpose of *reorganizing* the financial affairs of Ambac Assurance. Further the statutory authority under the Wisconsin law for "insurer's rehabilitation" (Chapter 645, Wis. Stats.) specifically authorizes under Wis. Stats. Sec. 645.33(5) the Rehabilitator to "prepare a plan for the *reorganization* [emphasis added] . . . of the insurer."

B. Broker-Dealer and/or Agent Registration

Under Sec. 409.1-102(4)(B) of the Act, it appears that the Segregated Account, the issuer of the Surplus Notes, is excepted from the definition of "broker-dealer" In addition, any persons who may be "agents" representing the Segregated Account are not required to be registered as agents by way of Sec. 409.4-402(b)(3) of the Act. You are advised that no commission or remuneration will be paid or given, directly or indirectly, to any person in connection with the solicitation of Claim holders or the issuance of the Surplus Notes to the Claim holders.

If you believe that the securities registration and broker-dealer and/or agent exemptions described above are available under the Act for the issuance of the Surplus Notes in your jurisdiction please provide your written confirmation. In the alternative, we respectfully request that you issue a no-action letter based on the belief that neither securities registration nor broker-dealer and/or agent registration is necessary for public protection in your jurisdiction based, all or in part, upon the following:



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- (i) The Plan of Rehabilitation must be approved by the Court, and only after a hearing is conducted at which all persons exchanging Claims for Surplus Notes have the right to appear, and at which the procedural and substantive fairness of the Issuance will be considered by the Court;
- (ii) The Plan of Rehabilitation and the Disclosure Statement, along with all other relevant materials in connection with the Rehabilitation, have been made available via the Website to all holders of Claims;
- (iii) Most of the Claim holders are believed to be QIBs either acting for their own account or pursuant to fiduciary authority;
- (iv) The time and expense of registering the Surplus Notes in your jurisdiction would cause additional material expense to the Segregated Account thereby reducing and delaying the ultimate recovery received by the holders of Claims in your jurisdiction; and
- (v) No commission or other remuneration will be paid, directly or indirectly, to any person in connection with the solicitation of Claim holders or the issuance of the Surplus Notes.

* * *

Based on the foregoing, we respectfully request: (i) either a confirmation that the above-described exemption from securities registration is available for the issuance of the Surplus Notes in your jurisdiction or that you will take a no-action position in the event that the Surplus Notes will not be registered under the Act; and (ii) that the Segregated Account will not be required to register as a broker-dealer under the Act and that none of its officers, directors, employees or agents will be required to register as agents under the Act.

Please be advised that the Court has set a hearing date for confirmation of the Plan of Rehabilitation to commence on November 15, 2010. Accordingly, we respectfully request an expedited review of this matter in order for the Surplus Notes to be issued to Claim holders in your state in a timely fashion.

If for any reason you do not believe that you can provide the exemption confirmation and/or no-action relief requested, we respectfully request an opportunity to confer with you prior to any written response.

If you have any questions about this request or desire any additional information regarding the matters discussed in this letter, please call the undersigned at (608) 258-4215 or Ann Recob at (608) 258-4279.



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Missouri Office of the Secretary of State
October 29, 2010
Page 7

In accordance with this request, we have enclosed a check in the amount of \$100 representing the request filing fee.

Please acknowledge receipt of the foregoing by stamping and returning the enclosed receipt copy of this letter in the self-addressed, stamped envelope enclosed for that purpose.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Terry Nelson', written over a horizontal line.

Terry D. Nelson

Enclosures

cc: Foley & Lardner LLP
Steven R. Barth
Kevin G. Fitzgerald
Andrew A. Oberdeck
Jason M. Hille

Ambac Assurance Corporation
Kevin Doyle

Dewey & LeBoeuf LLP
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