

**SITE UPDATED JUNE 23RD, 2015**

## Reconciliation Schedule Posted

Madison, WI, June 23, 2015 – The attached schedule identifies the Deferred Loss Amounts and Accretion Amounts outstanding as of the January Reconciliation Date. Except as noted in the schedule, the Deferred Loss Amounts have been reconciled with Holders in accordance with the Plan and the related Payment Guidelines. The reconciliation schedule was updated on July 31, 2015, affecting only Policy Numbers AB0392BE, AB0541BE, AB)351BE and AB0422BE.

The updated schedule may be found [here](#).

## Ambac Announces Cash Tender Offer For Insured Las Vegas Monorail Bonds

Madison, WI, March 6, 2015 – The Commissioner of Insurance, as Rehabilitator of the Segregated Account (“Segregated Account”) of Ambac Assurance Corporation (“AAC”) confirmed today that AAC has commenced a tender offer for all outstanding Las Vegas Monorail Project Revenue Bonds, 1st Tier Series 2000, issued by the Director of the Nevada Department of Business and Industry for the benefit of the Las Vegas Monorail Company not owned by AAC (“Tender Offer”). Further information concerning the Tender Offer can be found in AAC’s [press release](#). Any questions concerning the Tender Offer should be directed to the Information Agent, Mackenzie Partners, Inc., 105 Madison Avenue, New York NY 10016, at [tenderoffer@mackenziepartners.com](mailto:tenderoffer@mackenziepartners.com) or (212) 929-5500 (call collect) or 800-322-2885 (toll free). Note that the Tender Offer will expire at 5:00 p.m., New York City time, on Tuesday, April 7, 2015 unless earlier terminated or extended by AAC.

## Announcement Regarding Las Vegas Monorail Bonds

Madison, WI, December 29, 2014 – The Commissioner of Insurance, as Rehabilitator of the Segregated Account (Segregated Account) of Ambac Assurance Corporation (AAC), is announcing today his intention to begin exploring options with respect to the resolution of the outstanding obligations of the Segregated Account with respect to the bonds issued by the Las Vegas Monorail Co. through the Nevada Department of Business and Industry in 2000. At this time, neither the Rehabilitator nor AAC have determined the method, or methods, if any, for the resolution of such obligations. The Rehabilitator plans to update Las Vegas monorail bondholders with respect to his intentions for the resolution of AAC’s obligations during the first quarter of 2015.

## Notice Of Deferred Payment

MADISON, WI. December 3, 2014. On December 22, 2014 (the “Deferred Payment Date”), the Rehabilitator will make a Deferred Payment to Holders of Permitted Policy Claims that received an Interim Distribution in accordance with the Rehabilitation Court’s Order Approving Commencement of Partial Payments (entered June 5, 2012) or an Interim Payment under the Plan of Rehabilitation, as amended (the “Plan”), prior to the most recent Reconciliation Date, being July 20, 2014 (the “July Reconciliation Date”).

The attached schedule identifies 100% of the Deferred Loss Amounts and Accretion Amounts outstanding as of the July Reconciliation Date. The Deferred Loss Amounts have been reconciled with Holders in accordance with the Plan and the related Payment Guidelines.

The attached schedule does not constitute a confirmation or guarantee of the amounts of Deferred Loss Amounts or Accretion Amounts to be paid to Holders on the Deferred Payment Date. Recoveries, Supplemental Payments and/or Special Policy Payments subsequent to the July Reconciliation Date may have reduced Deferred Loss Amounts. Consistent with the Plan of Rehabilitation, the amount of any Deferred Payment attributable to Deferred Loss Amounts to be paid on the Deferred Payment Date shall, in no circumstances, exceed the Deferred Loss Amount outstanding as at the Deferred Payment Date. On or about the Determination Date in December 2014, Holders will receive confirmation of the Accretion Amounts and Deferred Loss Amounts to be paid to them on the Deferred Payment Date.

The reconciliation schedule was updated on December 15, 2014, affecting only Policy Number AB0995BE

The updated schedule may be found [here](#).

## Notice Of Early Surplus Note Payment

### Search

### Plan Of Rehabilitation

[Plan of Rehabilitation Documents](#)  
[Segregated Account Key Documents](#)

### General Information

[Ask A Question](#)  
[Segregated Account Policies](#)

### Information Hotline:

**US Callers:** 877-301-2046  
**Outside the US:** 212-660-6373

### Legal/Regulatory Notices

[Court Filings](#)  
[Court Location](#)

### Wisconsin OCI

[Powers & Responsibilities](#)  
[History](#)

### Media Inquiries

Please direct all media calls to Tom Becker at 212-573-6100.

Madison, WI, October 13, 2014 – The Commissioner of Insurance, both as regulator of Ambac Assurance Corporation (AAC) and as Rehabilitator of the Segregated Account (Segregated Account) of AAC, has approved AAC's plan to make partial payments on General Account and Segregated Account surplus notes (Surplus Notes) on November 20, 2014, rather than on December 22, 2014, the first Payment Date provided for under the Plan of Rehabilitation and the Payment Guidelines. This will result in partial payments on Surplus Notes being made approximately one month prior to the Payment Date.

Because of the magnitude of total payments, AAC has been diligently liquidating securities held in its investment portfolio in advance of the Payment Date. By making the Surplus Note payments in November rather than December, AAC will generate significant interest savings, which will benefit all Segregated Account policyholders. Further, the Rehabilitator believes that it is advantageous to spread payments on the Surplus Notes and payments with respect to Deferred Amounts over two months in order to facilitate the orderly processing and disbursement of all payments.

## June 20, 2014 - Deferred Payment And Interim Payment Percentage Notices

- [Van Sicklen Cover Letter to Court](#)
- [Deferred Payment Notice](#)
- [Interim Payment Percentage Notice](#)

## Court Approves Rehabilitator's Motion To Amend The Plan Of Rehabilitation Of The Segregated Account Of Ambac Assurance Corporation

MADISON, WI, June 11, 2014 - The Rehabilitator is pleased to announce that the Circuit Court of Dane County, Wisconsin approved certain proposed amendments (the "Amendments") to the confirmed Plan of Rehabilitation (the "Plan") of the Segregated Account of Ambac Assurance Corporation (the "Segregated Account"). Under the amended Plan, the mechanism for handling claims has been modified such that instead of receiving a combination of cash payments and interest-bearing surplus notes pursuant to the original Plan, holders of Permitted Policy Claims will receive a combination of cash payments ("Interim Payments") and deferred amounts equal to the remaining balance of such claims ("Deferred Amounts"). Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate, in his sole discretion, based on an analysis of estimated liabilities, available claims-paying resources and other considerations relevant to equitable treatment of claims and the best interests of policyholders. Deferred Amounts will generally accrete at an effective annual rate of 5.1%. Permitted General Claims will receive Junior Deferred Amounts accruing at 5.1% per year, instead of junior surplus notes bearing interest at 5.1%, as specified by the original Plan.

The Order is available for review [here](#).

Further details are set forth in the [press release](#) of AFG.

A new webpage containing all of the final Plan documents will be available shortly

## Rehabilitator Files Report On Segregated Account

MADISON, WI, May 2, 2014 – The Rehabilitator of the Segregated Account of Ambac Assurance Corporation today filed the 2014 Annual Report to the Circuit Court for Dane County, Wisconsin, the Honorable William D. Johnston presiding, on the Rehabilitation of the Segregated Account of Ambac Assurance Corporation. The report summarizes and describes certain events and developments in the rehabilitation proceeding that have occurred since the filing of the previous Annual Report on June 5, 2013.

[Read the full report.](#)

## Wisconsin Insurance Commissioner Ted Nickel Files Motion To Amend The Plan Of Rehabilitation Of The Segregated Account Of Ambac Assurance Corporation

- Amendments will modify Rehabilitation Plan confirmed by Wisconsin Court on January 24, 2011
- Permitted Policy Claims to receive combination of cash and deferred amounts
- Deferred amounts to accrete at 5.1% per year
- Cash payment percentage to be increased from 25% to 45%
- Issuance of surplus notes in previously confirmed Plan to be discontinued
- Motion requires Wisconsin Court approval

Madison, WI, April 21, 2014 --- Acting in his capacity as Court-appointed rehabilitator (the "Rehabilitator"), Wisconsin Commissioner of Insurance Ted Nickel today filed a motion (the "Rehabilitator's Motion") in the Circuit Court of Dane County, Wisconsin for approval of certain proposed amendments (the "Amendments") to the confirmed Plan of Rehabilitation (the "Plan") of the Segregated Account of Ambac Assurance Corporation (the "Segregated Account").

If the Rehabilitator's Motion is approved, the Amendments will modify the mechanism for handling claims under the Plan. Instead of a combination of cash payments and interest-bearing surplus notes pursuant to the original Plan, holders of Permitted Policy Claims would receive a combination of cash payments ("Interim Payments") and deferred amounts equal to the remaining balance of such claims ("Deferred Amounts"). Payments of Deferred Amounts will be made at such times as the Rehabilitator deems appropriate, in his sole discretion, based on an analysis of estimated liabilities, available claims-paying resources and other considerations relevant to equitable treatment of claims and the best interests of policyholders. With the exception of adjustments for certain Under-collateralized transactions, as described in the Rehabilitator's Motion, Deferred Amounts will accrete at an effective annual rate of 5.1%. Permitted General Claims will receive Junior Deferred Amounts accreting at 5.1% per year, instead of junior surplus notes bearing interest at 5.1%, as specified by the original Plan.

In conjunction with amending the Plan, the Rehabilitator intends to increase Interim Payments. The 25% level specified in the original Plan and in the Rehabilitator's Motion for Approval to Commence Interim Payments, dated May 16, 2012 (which payments commenced on September 20, 2012), will be increased to the level of 45%. Hence, after the Plan is amended, subject to Court approval, (i) holders of Permitted Policy Claims will receive Interim Payments in cash equal to 45% of their claims, and (ii) the Segregated Account will record Deferred Amounts on its books in favor of the respective holders in an amount equal to 55% of such claims, which will accrete at an effective annual rate of 5.1%.

To maintain parity among policyholders, the Rehabilitator also intends to effectuate a Deferred Payment to provide that policyholders that have received 25% cash payments on Permitted Policy Claims since the Interim Payments began on September 20, 2012 will receive an equalizing payment in cash in an amount equal to 26.67% of such holders' Deferred Amounts, including the value of Accretion. The Amendments will require proportionate payments on Segregated Account Surplus Notes, as and when payments are made on Deferred Amounts, including the equalizing payment referenced above. Pursuant to the terms of the Settlement Agreement entered into by Ambac Assurance Corporation ("Ambac Assurance") and various settling counterparties on June 7, 2010, Ambac Assurance is also required to make proportionate payments on its Surplus Notes if the Segregated Account makes a payment on the Segregated Account Notes.

"These Amendments are consistent with my goal of ensuring that policyholders in the Segregated Account receive equitable treatment," said Commissioner Ted Nickel. "Since the original Plan was confirmed by the Court, we have made significant strides to preserve resources, mitigate losses and reduce uncertainties. I am confident that the changes represented by the Amendments and my decisions regarding cash payments are balanced and sustainable."

Before the Amendments can become effective, the Rehabilitator's Motion must be approved by the Honorable William D. Johnston for the Wisconsin Circuit Court for Dane County. The Rehabilitator anticipates that the Court will schedule a hearing to consider the motion. Copies of the Court filings, including the Plan, as amended, the Payment Guidelines and other supporting documents are available on [www.ambacpolicyholders.com](http://www.ambacpolicyholders.com).

See also the Rehabilitator's Supplement to the Plan Amendments Motion filed May 20, 2014 on the [Court Filings](#) page.

## Wisconsin Supreme Court Denies All Petitions For Review

MADISON, WI. March 17, 2014. -- The Wisconsin Supreme Court issued an order today denying all of the petitions for review filed by various appellants with respect to a large number of trial court orders which the Wisconsin Court of Appeals had previously affirmed in favor of the Wisconsin Commissioner of Insurance, as the court-appointed Rehabilitator. The Supreme Court's order makes final the previously published decision of the Wisconsin Court of Appeals, dated October 24, 2013.

Wisconsin Insurance Commissioner Ted Nickel welcomed today's Supreme Court ruling as a significant positive development that provides greater clarity to the rehabilitation proceeding.

## Rehabilitator Comments On Recent Rulings

MADISON, WI. March 13, 2014. -- Further to the posting on this site dated May 15, 2013, the Rehabilitator is pleased to announce the receipt of favorable rulings from the IRS regarding certain tax issues associated with potential amendments to the rehabilitation plan for the Segregated Account.

## Wisconsin Court Of Appeals Affirms The Rehabilitations Court's Rulings In Favor Of The Rehabilitator To All

## Issues On Appeal

MADISON, WI, October 24, 2013 – The Wisconsin Court of Appeals issued its rulings this morning in Appeal Nos. 2010AP1291, 2010AP2022, 2010AP2835, 2011AP561, and 2011AP1486. The Court of Appeals consolidated its decisions as to Appeal Nos. 2010AP1291, 2010AP2022, 2010AP2835, and 2011AP561 into a single opinion in which the three members of the appellate court panel unanimously affirmed all of the various orders entered by the Dane County Circuit Court (the “Rehabilitation Court”) which remained on appeal in the state court system since the commencement of the Rehabilitation Proceeding in 2010.

In a per curiam opinion, the Court of Appeals also affirmed a Rehabilitation Court decision in favor of the Rehabilitator in regard to a dispute initiated by Assured Guaranty Corp. (and an affiliate).

The Wisconsin Commissioner of Insurance, the court-appointed Rehabilitator of the Segregated Account of Ambac Assurance Corporation, expressed his pleasure with the favorable outcome which upholds each of the actions by the Rehabilitator, as approved by the Rehabilitation Court, that were challenged by parties-in-interest in the five appeals decided today. The Commissioner noted that, “Today’s appellate rulings are an important victory for the rehabilitation effort and the Segregated Account’s policyholders.”

Copies of the appellate court’s decisions today are posted below under the Court Filings section of this site.

## Circuit Court Approves Rehabilitator’s Motion To Permit Supplemental Policy Payments

MADISON, WI, August 2, 2013 – At a hearing held today, the Circuit Court for Dane County, Wisconsin, the Honorable William D. Johnston presiding, granted a motion brought by the Rehabilitator of the Segregated Account of Ambac Assurance Corporation on July 11, 2013, to authorize the Segregated Account to make cash payments in excess of 25% of permitted policy claims on certain policies (the “Supplemental Payments”). The purpose of the Supplemental Payments is to maximize cash reimbursements available to the Segregated Account and increase its claims-paying resources for the benefit of all Segregated Account policyholders.

The Court’s order authorizes the payment of Supplemental Payments on 14 RMBS policies and other policies to be identified from time to time, to entitle the Segregated Account to receive reimbursements from certain cash flows that would otherwise be irretrievably diverted. The order permits the Segregated Account to make Supplemental Payments on a case by case basis, in respect of all or a portion of any outstanding unpaid permitted policy claim.

The Rehabilitator anticipates that the Segregated Account will make initial Supplemental Payments in August 2013. Details of Supplemental Payments to be paid in a given month will be published on or around the 10th day of such month in the “Investor Relations” section of Ambac’s corporate website at [www.ambac.com](http://www.ambac.com).

The Rehabilitator is pleased that the Court’s approval of this motion will enable him to take further meaningful steps forward in the rehabilitation proceedings.

The Order is available for review [here](#).

## Rehabilitator Files Report On Segregated Account

MADISON, WI, June 5, 2013 – The Rehabilitator of the Segregated Account of Ambac Assurance Corporation has filed the third Annual Report on the Rehabilitation of the Segregated Account of Ambac Assurance Corporation. The Report was filed in the Circuit Court for Dane County, Wisconsin, the Honorable William D. Johnston presiding, and in the U.S. District Court for the Western District of Wisconsin, the Honorable Barbara B. Crabb presiding. Dual filings were made in light of a pending removal action and motion to remand. The notice of removal, motion to remand and supporting documents are posted under “Court Filings.” The third Annual Report summarizes and describes certain events and developments in the rehabilitation proceeding that have occurred since the filing of the previous Annual Report on May 24, 2012.

[Read the full report](#)

## Rehabilitator Comments On Potential Amendments To The Segregated Account Rehabilitation Plan

MADISON, WI, May 15, 2013 – Wisconsin Commissioner of Insurance Theodore K. Nickel, acting in his capacity as the court-appointed Rehabilitator (the “Rehabilitator”) of the Segregated Account of Ambac Assurance Corporation (AAC), has informed Ambac Financial Group, Inc. (“AFGI”) that he intends to seek a private letter ruling from the Internal Revenue Service (“IRS”) as to certain tax issues which would be associated with potential amendments to the Segregated Account Rehabilitation Plan. Under the potential amendments, the Segregated Account would not issue surplus notes with respect to

the unpaid balance of permitted policy claims, but would instead record such balance as an ongoing policy obligation which would accrete at a rate of 5.1%, compounded annually (such obligation a "Deferred Amount").

If the Rehabilitator receives favorable rulings from the IRS regarding such tax issues, he will likely seek to amend the Segregated Account Rehabilitation Plan to provide for the establishment of Deferred Amounts, rather than the issuance of surplus notes, with respect to the unpaid portion of permitted policy claims. The potential amendments are intended to generate a substantial benefit to the holders of permitted policy claims, however, the timing and likelihood of such amendments have not been fully determined.

Additionally, the Rehabilitator is considering seeking approval from the Rehabilitation Court to disburse cash payments in excess of 25% of permitted policy claim amounts with respect to certain insured securities ("Supplemental Payments") in order to maximize reimbursements to the Segregated Account and thereby increase claims-paying resources for the benefit of all Segregated Account policyholders. The Rehabilitator presently anticipates seeking authority to make Supplemental Payments on up to 14 insured transactions and may seek to make Supplemental Payments on additional insured securities if he determines such action to be warranted by the cash flow characteristics of the relevant securitization trusts.

## Rehabilitator Comments On IRS Closing Agreement And Mediation Agreement

MADISON, WI, May 1, 2013 -- Wisconsin Commissioner of Insurance Theodore K. Nickel, acting in his capacity as the court-appointed Rehabilitator of the Segregated Account (Segregated Account) of Ambac Assurance (AAC) acknowledges the bankruptcy court's approval of the IRS Settlement Offer made by Ambac Financial Group, Inc. (AFG), the Official Committee of Unsecured Creditors of AFG, AAC, the Segregated Account, the Rehabilitator and the Wisconsin Office of the Commissioner of Insurance (OCI) on February 24, 2012, as modified by a Supplemental Letter dated April 3, 2013, in connection with the bankruptcy of AFG, the sole shareholder of AAC. This event satisfies the final condition precedent to the consummation of two previously-announced settlements, (i) the IRS Closing Agreement between the United States and AFG and (ii) the Mediation Agreement entered into on September 21, 2011 among AFG, the Creditors Committee, AAC, the Segregated Account, the Rehabilitator and OCI, which is now fully effective. "The closing of these agreements, which resolve and settle substantial claims and litigation, represents meaningful progress in the rehabilitation of the Segregated Account," said Commissioner Nickel.

Further details are set forth in the [press release of AFG](#).

## Further Positive Interim Developments Regarding IRS Settlement Approval Process

Ambac Financial Group, Inc. ("AFGI") has been informed that the Congressional Joint Committee on Taxation has completed its review of and has no objection to the offer made by AFGI, the Official Committee of Unsecured Creditors of AFGI, Ambac Assurance Corporation ("Ambac Assurance"), the Segregated Account of Ambac Assurance (the "Segregated Account"), the court-appointed Rehabilitator of the Segregated Account and the Wisconsin Office of the Commissioner of Insurance to the United States ("IRS Settlement Offer") to resolve and settle various claims and litigation as more fully set out in the Rehabilitator's Motion to Authorize the Rehabilitator and the Segregated Account to Proceed with Proposed Settlement Agreement with the United States, filed on May 16, 2012 and approved by the Court on June 14, 2012. The IRS Settlement Offer remains subject to certain conditions, details of which are set forth in the [Press Release](#) issued by AFGI.

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## Positive Interim Developments Regarding IRS Settlement Approval Process

As reported in the parties' Fourth Joint Status Report to the United States Court of Appeals for the Seventh Circuit, filed November 30, 2012 (a copy of which is posted on the "Court Filings" link below), several positive developments have taken place in regard to the process by which the United States is considering the settlement Offer (as defined in the Joint Report). Specifically, the Offer received positive recommendations from the United States Office of Review, and then from the Assistant Attorney General of the Tax Division, and was forwarded to the Congressional Joint Committee on Taxation in accordance with 26 U.S.C. § 6405, which is the final step in the evaluative process. Additionally, the private letter ruling request by Ambac Assurance's parent corporation, the taxpayer for the Ambac Group, was approved by the Office of Chief Counsel. Further developments will be posted here as appropriate.

- [Fourth Joint Status Report to the United States Court of Appeals for the Seventh Circuit](#)

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## Ambac To Reopen New York City Office

Please take notice that Ambac Financial Group, Inc. and Ambac Assurance Corporation (the "Companies") will reopen their principal offices at One State Street Plaza, New York, New York on Monday, November 26, 2012.

As a result of storm damage, the Companies' telephone system will not immediately be fully operational. A temporary system is available for inbound calls, and inquiries may be directed via telephone to (845) 810-3000 or through regular email channels.

The Companies have been maintaining their systems and operations at a disaster recovery site in Kingston, New York since Hurricane Sandy temporarily closed their principal offices at One State Street.

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## Continuity Of Operations During Storm Recovery

Madison, WI, Nov. 6, 2012 - As a result of damage caused by Hurricane Sandy, the Rehabilitator has confirmed that Ambac Assurance Corporation, the Management Services Provider to the Segregated Account, has temporarily relocated its corporate offices to a disaster recovery site in Kingston, New York. The Rehabilitator expects that business operations, including the processing of policy claims, will continue without interruption.

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## Rehabilitator Commences Interim Cash Payments

Madison, WI, Sept. 20, 2012 - The Rehabilitator is pleased to report that, with the assistance of Ambac Assurance Corporation as Management Services Provider for the Segregated Account, the first round of interim partial cash distributions was effectuated on September 20, 2012, pursuant to the Rehabilitation Court's Interim Cash Payment Order of June 4, 2012. On September 20, 2012, the Segregated Account disbursed approximately \$676.2 million to policyholder trustees and claim submitting agents, representing 25% of Permitted Policy Claims of approximately \$2.704 billion.

Policy claims that arose during the Moratorium Period but not submitted to Ambac Assurance Corporation in accordance with the Rules Governing Submission, Processing and Partial Payment issued in connection with the Interim Cash Payment Order (the "Rules") prior to the end of August 2012 (estimated by the Management Services Provider to be approximately \$1.142 billion), will be processed during the monthly claim payment cycle in which they are validly submitted to the Management Services Provider in accordance with the Rules. Please refer to the 8-K filed by Ambac Financial Group, Inc. on September 17, 2012 for further information concerning policy claims that arose during the Moratorium Period that were not submitted to Ambac Assurance Corporation as of August 31, 2012.

Policy claims submitted to Ambac Assurance Corporation on or before August 31, 2012, but which did not receive a distribution on September 20, 2012, will continue to be processed in accordance with the Rules.

All policy claims submitted are processed in accordance with the Rules. Inquiries regarding the timeframe for distribution of funds to bondholders in any particular trust should be addressed to the respective bond trustee.

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## The Policy Claim Rules Governing Interim Cash Payments On Policy Claims

Madison, WI, August 1, 2012 - The Rehabilitator of the Segregated Account today filed Rules Governing the Submission, Processing and Partial Payment of Policy Claims in Accordance with June 4, 2012 Interim Cash Payment Order (Policy Claim Rules). In accordance with the Policy Claim Rules, policyholders may immediately begin submitting policy claims for review and payment. The Policy Claim Rules specify that policyholders that submit claims that are permitted during any month are eligible to receive 25% of the amount of the policy claim from the Segregated Account on or around the 20th day of the following month. Accordingly, policyholders that submit policy claims during the month of August that are approved for payment by the Rehabilitator in accordance with the Policy Claim Rules will receive 25% of the amount of each permitted policy claim from the Segregated Account on September 20, 2012. The Rehabilitator encourages policyholders to review the Policy Claim Rules in detail in order to facilitate the prompt payment of policy claims. They are available for review pursuant to the links below:

- [Rules Governing the Submission, Processing and Partial Payment of Policy Claims in Accordance with June 4, 2012 Interim Cash Payment Order](#)
- [Proof of Policy Claim Form](#)
- [Claim Schedule](#)
- [Rehabilitator's Statement of Clarification Regarding Policy Claim Rules](#)



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## Circuit Court Approves Rehabilitator's Motions

MADISON, WI, June 5, 2012 – At a hearing held yesterday, the Circuit Court for Dane County, Wisconsin, the Honorable William D. Johnston presiding, granted two motions brought by the Rehabilitator of the Segregated Account of Ambac Assurance Corporation. Pursuant to the first motion approved by the Court, the Segregated Account will commence cash payments of 25% of each permitted policy claim that has arisen since the inception of the rehabilitation proceedings and 25% of each policy claim to be submitted and permitted in the future. The Rehabilitator expects that these cash payments will commence during the third quarter of 2012. The second motion approved by the Court allows Ambac Assurance to exercise two call options to purchase approximately \$789 million of surplus notes at prices favorable to the rehabilitation that are projected to materially increase policyholder recoveries.

The Rehabilitator is pleased that the Court's approval of these motions will enable him to take further meaningful steps forward in the rehabilitation proceedings.

The Orders are available for review [here](#) and [here](#).

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## Rehabilitator Files Report On Segregated Account

MADISON, WI, May 24, 2012 – The Rehabilitator of the Segregated Account of Ambac Assurance Corporation today filed the second Annual Report to the Circuit Court for Dane County, Wisconsin, the Honorable William D. Johnston presiding, on the Rehabilitation of the Segregated Account of Ambac Assurance Corporation. The report summarizes and describes certain events and developments in the rehabilitation proceeding that have occurred since the filing of the previous Annual Report on June 1, 2011.

[Read the full report.](#)

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## Notice From The Rehabilitator

MADISON, WI, May 23, 2012 – Wisconsin Commissioner of Insurance Theodore K. Nickel, acting in his capacity as the Rehabilitator of the Segregated Account of Ambac Assurance Corporation (Segregated Account), has filed an amended motion (the "Amended Motion") for approval to allow Ambac Assurance Corporation ("Ambac") to exercise two of three call options it holds to purchase certain surplus notes issued by Ambac on June 7, 2010 ("Surplus Notes"). Execution of both call options would result in Ambac's purchase of approximately \$789 million in principal amount of Surplus Notes at a significant discount. The Rehabilitator believes that exercising the two call options is in the best interest of Segregated Account policyholders because it will result in a significant increase over the recoveries they would receive if the call options were not exercised. The Rehabilitator's initial motion, dated May 16, 2012 (the "Initial Motion") sought approval for Ambac to exercise all three call options it holds, so as to include the purchase of an additional \$150 Million in principal amount of surplus notes as part of the requested approval. The Rehabilitator has since decided not to pursue approval for Ambac to exercise the third call option.

The reasons for the Rehabilitator's change in position from the Initial Motion to the Amended Motion and the supporting affidavit and exhibits are available at [www.ambacpolicyholders.com](http://www.ambacpolicyholders.com).

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## Notice From The Rehabilitator

MADISON, WI, May 16, 2012 – Wisconsin Commissioner of Insurance Theodore K. Nickel, acting in his capacity as the Rehabilitator of the Segregated Account of Ambac Assurance Corporation (Segregated Account), announced today that he is seeking court approval to make interim policy claim payments to Segregated Account policyholders. If the interim payments are approved by the court, the Segregated Account will begin paying 25% of each policy claim that has arisen since the commencement of the rehabilitation proceedings, and 25% of each policy claim submitted in the future. As of March 31, 2012, approximately \$3.2 billion in Segregated Account policy claims have arisen since the commencement of the rehabilitation proceedings.

The Plan of Rehabilitation, which was previously confirmed by the court in early 2011 and contemplates payment of 25% of each policy claim in cash and 75% in surplus notes, has not yet been made effective, pending resolution of certain tax considerations relating to the issuance of surplus notes.

"While the work on implementation of the Plan continues, we are pleased to begin making interim payments to policyholders in the near-term, subject to the approval of the court," said Commissioner Nickel. "The decision to make interim payments at the rate of 25% was guided by balancing the interests of policyholders with current claims with the need to preserve sufficient cash to pay policy claims that are projected to arise in the future."

The Rehabilitator is also seeking court approval of an offer of settlement made to the United States on behalf of the Internal

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Revenue Service (IRS), with respect to pending disputes over the tax treatment of credit default swap contracts and related matters (Offer). The Offer was jointly made by the Rehabilitator, the Wisconsin Office of the Commissioner of Insurance, Ambac Assurance Corporation (AAC), Ambac Financial Group Inc. (AFGI) and the Official Committee of Unsecured Creditors of AFGI on February 24, 2012. If approved by the court and accepted by the United States, the settlement contemplated by the Offer will resolve all related litigation with the IRS, eliminating uncertainty and avoiding further legal costs.

Finally, the Rehabilitator is seeking court approval of AAC's proposed purchase of approximately \$939 million in principal amount of surplus notes issued by AAC on June 7, 2010, for an aggregate cash payment of approximately \$278 million. AAC is seeking to purchase the surplus notes pursuant to certain call options held by AAC on the surplus notes. "The purchase of the surplus notes at a substantial discount will increase the projected recovery to Segregated Account policyholders," said Special Deputy Commissioner Roger A. Peterson.

"The filings made with the court today show meaningful progress in furtherance of the rehabilitation of the Segregated Account, and demonstrate our concerted effort to maximize recoveries for policy beneficiaries and other creditors," said Commissioner Nickel.

The motions filed with the court and supporting affidavits and exhibits are available at [www.ambacpolicyholders.com](http://www.ambacpolicyholders.com).

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## Rehabilitator Comments On Settlement Offer To The IRS

MADISON, WI, February 27, 2012 -- The Rehabilitator of the Segregated Account (Segregated Account) of Ambac Assurance Corporation (AAC) and the Wisconsin Office of the Commissioner of Insurance, in conjunction with AAC, Ambac Financial Group Inc. (AFGI) and the Official Committee of Unsecured Creditors of AFGI, have made a formal offer of settlement (Offer) to the United States on behalf of the Internal Revenue Service (IRS) with respect to pending disputes over the tax treatment of credit default swap contracts and related matters.

The terms of the Offer include: (i) a payment by the Segregated Account of approximately \$100 million; (ii) a payment by AFGI of approximately \$1.9 million and (iii) AFGI's consolidated tax group (including AAC and the Segregated Account) will retain the ability to use all loss carry-forwards resulting from losses on credit default swap contracts and arising on or before December 31, 2010 subject to a limit of \$3.4 billion on such loss carry-forwards.

The Rehabilitator believes the Offer is in the best interest of policyholders and other creditors of the Segregated Account as it represents an important incremental step in furtherance of the rehabilitation process by resolving all related litigation with the IRS, eliminating uncertainty and avoiding further legal costs.

The IRS has not yet accepted this Offer and there are no assurances that the Offer will be accepted, that the final terms of any settlement will not change or that a settlement can be finalized within a certain period of time. Finality of the settlement will require the satisfaction of certain conditions and the receipt of certain approvals, including approvals by the court presiding over AFGI's Chapter 11 case and the court presiding over the rehabilitation of the Segregated Account.

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## Rehabilitator Comments On Filing By Ambac Financial Group

MADISON, WI, September 27, 2011 -- The Rehabilitator of the Segregated Account (Segregated Account) of Ambac Assurance Corporation (AAC) acknowledges the Form 8-K filed today by Ambac Financial Group, Inc. (AFGI), regarding the Mediation Agreement entered into on September 21, 2011 among AFGI, AAC, the Segregated Account, the Wisconsin Office of the Commissioner of Insurance (OCI), the Rehabilitator, and the Official Committee of Unsecured Creditors of Ambac Financial Group, Inc. (the Creditors Committee).

Subject to satisfaction of all required conditions, the Mediation Agreement resolves all outstanding tax and expense-related issues between AFGI and AAC, and provides an unconditional, full and complete release of all claims that AFGI and the members of the Creditors Committee may have against OCI, the Rehabilitator, AAC and the Segregated Account. The Form 8-K summarizes the terms and conditions of Mediation Agreement, and is accessible at <http://ir.ambac.com/phoenix.zhtml?c=80774&p=irol-sec>.

As set forth in the Mediation Agreement, within 30 days of the filing of AFGI's First Amended Plan of Reorganization in the bankruptcy court, the Rehabilitator will file a motion in the Dane County Wisconsin Circuit Court to obtain the Court's approval of the transactions contemplated by the Mediation Agreement. The terms and conditions of the Mediation Agreement, and its benefits for policyholders and creditors of the Segregated Account, will be explained in greater detail in the Rehabilitator's motion for approval.



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## Rehabilitator Comments On Agreement With Ambac Financial Group

MADISON, WI, September 21, 2011 -- The Rehabilitator of the Segregated Account of Ambac Assurance Corporation (AAC) is pleased that a negotiated settlement has been achieved between and among Ambac Financial Group (AFG), the Rehabilitator, the Office of the Commissioner of Insurance for the State of Wisconsin, the Official Creditors Committee of AFG, and AAC.

The Rehabilitator recognizes the advantages of reducing uncertainty and avoiding unnecessary litigation, as achieved by this settlement. It further allows the Rehabilitator to remain focused on the rehabilitation of the Segregated Account of AAC.

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## Rehabilitator Comments On AFGI's Postponement Of Its Bankruptcy Hearing

MADISON, WI, July 29, 2011 – The Office of the Commissioner of Insurance, as Rehabilitator of the Segregated Account of Ambac Assurance Corporation (AAC) acknowledges recent decisions by Ambac Financial Group, Inc. (AFGI) to postpone the hearing in the U.S. Bankruptcy Court for the Southern District of New York on the adequacy of its Disclosure Statement until September 8, 2011 and to extend the deadline for solicitation of votes on its Plan of Reorganization until October 25, 2011.

AFGI's court filings on July 25 and 26, 2011, cite the need to provide more time for negotiations of disputed issues and a related mediation among AFGI, certain of its creditors, AAC as AFGI's principal operating subsidiary, and the Rehabilitator of the Segregated Account, which primarily involve the allocation of net operating losses (NOLs) as between AFGI and AAC. Postponing the bankruptcy court deadlines also provides additional time for the Rehabilitator's recently-retained advisor, PricewaterhouseCoopers, to better analyze and provide guidance to the Rehabilitator regarding certain complex tax issues relevant to the Segregated Account rehabilitation.

The Rehabilitator wishes to emphasize that, as noted in paragraph 11 of the AFGI court filing, the \$2 million paid by AAC in conjunction with the postponement of the AFGI bankruptcy hearing was a contribution by AAC towards the litigation costs AFGI has incurred in connection with the pending adversary proceeding against the IRS and can be offset against future settlements with AFGI. AAC will benefit directly from a successful outcome in that case against the IRS.

The Rehabilitator remains vigilant about protecting the interests of Segregated Account policyholders.

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## Rehabilitator Comments On AFGI Proposed Plan Of Reorganization

MADISON, WI, July 7, 2011 – The Rehabilitator of the Segregated Account of Ambac Assurance Corporation does not believe that the reorganization plan proposed by Ambac Financial Group, Inc. ("AFGI") is in the best interests of policyholders of the Segregated Account, or for that matter, those of the AFGI creditors. The Rehabilitator engaged in discussions for several months with AFGI and its bankruptcy Creditors Committee to see if mutually agreeable terms could be arrived at for equitably allocating net-operating-loss tax attributes and certain other resources between AFGI, Ambac Assurance Corp. and the Segregated Account. The Rehabilitator's objectives in those discussions have been to protect the interests of and maximize value for policyholders and policy beneficiaries of the Segregated Account.

Despite the Rehabilitator's best efforts to facilitate a fair resolution of issues, the parties reached an impasse. AFGI, pushed by its creditors, has filed a proposed bankruptcy plan of reorganization to restructure the debt of AFGI on terms which are inconsistent with the consensual direction of the recent negotiations with the Rehabilitator. The AFGI plan proposes to employ litigation to try to divert value from the Segregated Account. The Rehabilitator will vigorously contest that litigation.

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## OCI Submits Application For Engagement Of Roger A. Peterson As Special Deputy Commissioner

MADISON, WI, June 10, 2011 – The Office of the Commissioner of Insurance has submitted an application to the Circuit Court for Dane County in Wisconsin, to approve the engagement of Roger A. Peterson as Special Deputy Commissioner for the Segregated Account of Ambac Assurance Corporation.

The application states that under a consulting agreement reached between Mr. Peterson and Theodore K. Nickel,

Commissioner of Insurance, Mr. Peterson will resign his position as the Deputy Administrator of the Division of Regulation and Enforcement at OCI and move to New York to devote his full-time professional efforts and time to the performance of the Special Deputy Commissioner of the Segregated Account. The agreement is subject to approval from the Court.

Over the course of the Rehabilitation process, which commenced on March 24, 2010, it has become increasingly evident to Commissioner Nickel and OCI that the role of Special Deputy Commissioner in a rehabilitation process of this magnitude and complexity demands a person working full-time on matters pertaining to the Segregated Account and who can be regularly on-site in the insurer's offices in New York.

Earlier this year, Commissioner Nickel concluded that one person at OCI could no longer occupy a dual role of supervising regulatory duties on matters unrelated to Ambac in Wisconsin and also as Special Deputy Commissioner for the Segregated Account. Commissioner Nickel concluded that it was necessary to engage an independent contractor to serve full-time in the role of Special Deputy Commissioner who would be based on-site in New York. In this role, Mr. Peterson will report to the Rehabilitator and will be subject to the authority of the Rehabilitator.

The application cites Mr. Peterson's two decades of experience in the financial examination of insurers and his proven ability to address the unique and complex challenges posed by this rehabilitation. He has been directly involved in assessing and addressing Ambac's financial situation since its long-term outlook began to deteriorate in late 2007 and early 2008.

The application was filed in Circuit Court on June 8, 2011.

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## Rehabilitator Files Report On Segregated Account

MADISON, WI, June 1, 2011 – The Rehabilitator of the Segregated Account of Ambac Assurance Corporation today filed a report on the Rehabilitation of the Segregated Account to the Circuit Court for Dane County in Wisconsin, the Honorable William D. Johnston presiding. The report advises the Court and all interested parties on the current status of the Plan of Rehabilitation, which was confirmed by the Court on January 24, 2011. The report also summarizes and describes certain developments in the rehabilitation proceeding since March 24, 2010.

- [Report on the Rehabilitation of the Segregated Account of Ambac Assurance Corporation](#)

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## Notice From The Rehabilitator

MADISON, WI, May 31, 2011 – As previously noted on this site, the Rehabilitator of the Segregated Account of Ambac Assurance Corporation is evaluating certain tax and litigation issues and current claims development information with respect to the confirmed Plan of Rehabilitation, the timing of making it effective, and the possibility of modifications. While that assessment continues, the Rehabilitator expects that the legal challenges to the confirmed Plan will proceed as presently scheduled before the Wisconsin Court of Appeals. The Rehabilitator is proceeding accordingly.

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## Plan Of Rehabilitation

Plan of Rehabilitation (As confirmed January 24, 2011)

- [Exhibit A: Form of Fiscal Agency Agreement \(As confirmed January 24, 2011\)](#)
- [Exhibit B: Form of Surplus Note \(As confirmed January 24, 2011\)](#)
- [Exhibit C: Proof of Policy Claim Form \(As filed February 18, 2011\)](#)
- [Exhibit D: Form of Junior Surplus Note](#)

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## Guidelines Under Plan Of Rehabilitation

Claims Processing (As filed February 18, 2011)

- [Exhibit A: Surplus Note Payment Schedule](#)

Ceded Reinsurance (As of March 17, 2011)

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## Disclosure Statement

Disclosure Statement (As filed October 8, 2010)

- Corporate Organizational Chart
- Risk Classifications
- Discussion of the Rehabilitator's Projections, Assumptions and Methodologies

Amendment No. 1 to Disclosure Statement (As filed October 21, 2010)

- Projected Financial and Operating Results Associated with Scenario One (revised Oct. 21, 2010)
- Projected Financial and Operating Results Associated with Scenario Two (revised Oct. 21, 2010)
- Projected Financial and Operating Results Associated with Scenario Three (revised Oct. 21, 2010)
- Projected Financial and Operating Results Associated with Scenario Four (revised Oct. 21, 2010)

Amendment No. 2 to Disclosure Statement (As filed November 12, 2010)

## Key Documents (As Identified In The Disclosure Statement Filed October 8, 2010)

List of Policy and CUSIP Numbers Allocated to the Segregated Account as of October 8, 2010

Plan of Operation for the Segregated Account

Management Services Agreement (Exhibit A to the Plan of Operation)

Cooperation Agreement (Exhibit B to the Plan of Operation)

Assumed Reinsurance Agreements Allocated to the Segregated Account (Exhibit F to the Plan of Operation)

Secured Note (Exhibit G to the Plan of Operation)

Aggregate Excess Loss of Reinsurance Agreement (Exhibit H to the Plan of Operation)

Order for Rehabilitation

Order for Temporary Injunctive Relief

Quarterly Statement of the Segregated Account as of and for the three months ended March 31, 2010

Quarterly Statement of the Segregated Account as of and for the six months ended June 30, 2010

Audited Statutory Financial Statements of AAC as of and for the year ended December 31, 2009

Annual Statement of AAC as of and for the year ended December 31, 2009


Quarterly Statement of AAC as of and for the three months ended March 31, 2010

Quarterly Statement of AAC as of and for the six months ended June 30, 2010

SEC No-Action Letter Request

SEC No-Action Letter

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 Created by the Legislature in 1871, Wisconsin's Office of the Commissioner of Insurance (OCI) was vested with broad powers to ensure that the insurance industry responsibly and adequately met the insurance needs of Wisconsin citizens. Today, OCI's mission is to lead the way in informing and protecting the public and responding to its insurance needs. Offices are located at 125 South Webster Street, Madison, Wisconsin 53703 and can be reached at (800) 236-8517.