



FOLEY & LARDNER LLP

ATTORNEYS AT LAW

VEREX PLAZA
150 EAST GILMAN STREET
MADISON, WI 53703-1481
POST OFFICE BOX 1497
MADISON, WI 53701-1497
608.257.5035 TEL
608.258.4258 FAX
foley.com

February 18, 2011

WRITER'S DIRECT LINE
608.258.4206
mvansicklen@foley.com EMAIL

Jody Baux
Ambac Clerk, Dane County Circuit Court
Dane County Courthouse
215 South Hamilton Street
Madison, Wisconsin 53703

Re: *In the Matter of the Rehabilitation of Segregated Account of Ambac Assurance Corporation; Dane County Circuit Court Case No. 10 CV 1576*

Dear Ms. Baux:

We are filing with the Court the enclosed Guidelines under Plan of Rehabilitation: (Claims Processing for Policy Claims) (the "Claims Processing Guidelines"), together with the Surplus Note Payment Schedule (Exhibit A to the Claims Processing Guidelines) and revised versions of the Proof of Policy Claim Form and related Claim Schedule, which constitute Exhibit C to the Plan of Rehabilitation.

The Rehabilitator issued the Claims Processing Guidelines on February 21, 2011, as authorized pursuant to Section 3.02 of the Plan of Rehabilitation for the Segregated Account of Ambac Assurance Corporation (the "Plan of Rehabilitation") in order to promote the prompt evaluation and payment of Policy Claims following the effective date of the Plan of Rehabilitation.

This filing does not request or require any specific court hearing or approval; it is primarily informational for the Court and interested parties and will be posted on the ambacpolicyholders.com website.

Thank you for your attention to this matter.

Very truly yours,

FOLEY & LARDNER LLP

Michael B. Van Sicklen

Enclosures

cc: Honorable William D. Johnston (with enclosures, via first-class mail)
All Counsel of Record (with enclosures, via email)

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In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

**NOTICE OF FILING OF CLAIMS PROCESSING GUIDELINES AND
REVISED PROOF OF POLICY CLAIM FORM**


To: Clerk of Circuit Court
Dane County Circuit Court
215 S. Hamilton St.
Madison, WI 53703-3285

PLEASE TAKE NOTICE that on February 21, 2011, the Rehabilitator signed the attached Guidelines under Plan of Rehabilitation (Claims Processing for Policy Claims) (the "Claims Processing Guidelines"). As authorized pursuant to Section 3.02 of the Plan of Rehabilitation for the Segregated Account of Ambac Assurance Corporation (the "Plan of Rehabilitation"), the Rehabilitator has developed the Claims Processing Guidelines and the Surplus Note Payment Schedule (Exhibit A to the Claims Processing Guidelines) to promote the prompt evaluation and payment of Policy Claims following the effective date of the Plan of Rehabilitation. In conjunction with the development of the Claims Processing Guidelines, the Rehabilitator has also revised the Proof of Policy Claim Form and related Claim Schedule (Exhibit C to the Plan of Rehabilitation). The attached Claims Processing Guidelines, Surplus Note Payment Schedule, Proof of Policy Claim Form and Claim Schedule will be prominently placed on the court-approved Website.

Dated this 21st day of February, 2011.

FOLEY & LARDNER LLP

By:


Michael B. Van Sicklen, SBN 1017827
Matthew R. Lynch, SBN 1066370

150 East Gilman Street
Post Office Box 1497
Madison, Wisconsin 53701
Telephone: (608) 257-5035
Facsimile: (608) 258-4258

*Attorneys for Wisconsin Office of the
Commissioner of Insurance and
Theodore K. Nickel, Commissioner of
Insurance of the State of Wisconsin, as
Rehabilitator of the Segregated Account of
Ambac Assurance Corporation*

**GUIDELINES
UNDER PLAN OF REHABILITATION
(Claims Processing for Policy Claims)**

Dated as of February 18, 2011

The Commissioner of Insurance of the State of Wisconsin,
as the Court-appointed Rehabilitator of the
Segregated Account of Ambac Assurance Corporation

To provide greater clarity concerning the submission of Policy Claims and to foster the efficient processing of Policy Claims by the Management Services Provider, the Rehabilitator hereby issues the following guidelines pursuant to Sections 3.02 and 4.01 of the Plan to the Management Services Provider and each Holder of a Policy Claim¹:

1. Each Holder of a Policy Claim, whether acting on its own behalf or acting in its capacity as trustee and/or agent on behalf and for the benefit of the beneficial holder(s) of any underlying financial instrument insured by a Policy, shall submit to the Management Services Provider such Policy Claim in accordance with the provisions of the Plan by fully completing and submitting an executed Proof of Policy Claim Form, including the "Claim Schedule" referred to therein, an executed "Surplus Note Payment Schedule" in the form annexed to these Guidelines as Exhibit A, and such other documentation as shall be required by Section 4.04(a) of the Plan. No Policy Claim shall become a Permitted Claim unless such Holder fully complies with such requirements with respect to such Claim.
2. Subject to paragraph 6 below, Holders should submit one Surplus Note Payment Schedule per Policy. Once submitted, such Surplus Note Payment Schedule shall apply with respect to the delivery of Surplus Notes on each Payment Date applicable to a given Policy unless replaced by a new Surplus Note Payment Schedule in accordance with the provisions of the Proof of Policy Claim Form and paragraph 4 below. Therefore, a Holder need not submit a Surplus Note Payment Schedule more than once with respect to any Policy.
3. With respect to any Payment Date (including the first Payment Date to occur after the Effective Date), no Pending Policy Claim shall be eligible to be considered a Permitted Policy Claim unless (a) the Management Services Provider has received from the relevant Holder a duly completed Surplus Note Payment Schedule with respect to the Policy to which such Claim relates at least 30 days prior to such Payment Date, and (b) the Proof of Policy Claim Form and other required documentation was received by the Management Services Provider on or prior to 5:00 p.m. (ET) on the last Business Day of the month preceding the month in

¹ Capitalized terms used herein shall have the meanings ascribed thereto in the Plan of Rehabilitation for the Segregated Account of Ambac Assurance Corporation, as approved by the Circuit Court of Dane County, Wisconsin on January 24, 2011.

which such Payment Date occurs, unless the Rehabilitator determines otherwise in the Rehabilitator's sole discretion.

4. A Holder who selects OPTION 1 or OPTION 2 in a Surplus Note Payment Schedule with respect to a Policy shall be bound by such selection unless it selects a different OPTION by submission of a duly completed Surplus Note Payment Schedule with respect to such Policy and not less than 30 days shall have elapsed after receipt by the Management Services Provider of such Surplus Note Payment Schedule.
5. Each Holder shall also take the actions described in OPTION 1 or OPTION 2 (as applicable) of the Surplus Note Payment Schedule to facilitate the delivery of Surplus Notes.
6. Any Holder acting in its capacity as trustee and/or agent on behalf and for the benefit of the beneficial holder(s) of any underlying financial instrument insured by a Policy that also acts in such capacity with respect to other Policies is encouraged to provide uniform delivery instructions in the Surplus Note Payment Schedules relating to all such Policies unless doing so would contravene any legally binding obligation or duty of such Holder. Uniform delivery instructions will foster administrative efficiencies in the processing and payment of Policy Claims by (i) permitting one delivery, rather than multiple deliveries, of Surplus Notes on a given Payment Date, and (ii) permitting the initiation of one DWAC instruction, rather than multiple DWAC instructions, by such Holder or the Segregated Account. If a Holder provides such uniform delivery instructions, then the Management Services Provider shall send to such Holder a summary report that identifies the aggregate amount of Surplus Notes to be issued to such Holder on a given Payment Date as well as the principal amount of Surplus Notes allocable to each Policy as to which a Claim was paid on such Payment Date. To provide such uniform delivery instructions, a Holder may, and is encouraged to, submit one Surplus Note Payment Schedule referencing all of the Policies to which such delivery instructions apply, marked to indicate that uniform delivery instructions apply by checking the applicable box beneath OPTION 1 or OPTION 2, as applicable.
7. If a Claim made in accordance with the requirements of the related Policy is submitted for payment in a currency other than U.S. dollars and such Claim is determined to be Permitted Claim, then the cash distributed in respect of such Claim shall be denominated in such currency and the Surplus Notes distributed in respect of such Claim (if any) shall be denominated in U.S. dollars in an amount equal to the Surplus Note Percentage multiplied by the U.S. dollar equivalent of such Claim, such U.S. dollar equivalent to be determined based on the spot exchange rate published by a recognized source (as determined by the Management Services Provider in its sole discretion) on the Determination Date immediately preceding the Payment Date applicable to such Claim.

8. These Guidelines are intended to supplement the Plan, are in addition to and not in lieu of the requirements of the Plan, and shall be binding upon the Management Services Provider and Holders of Policy Claims to the same extent as the Plan itself. In the event of any conflict between the terms of these Guidelines and the terms of the Plan, the terms of the Plan shall govern. These Guidelines may be supplemented, modified or withdrawn by the Rehabilitator at any time or from time to time in the Rehabilitator's sole discretion.


By: 
Theodore K. Nickel, Rehabilitator

Exhibit A

SURPLUS NOTE PAYMENT SCHEDULE

Date: [_____]

Ambac Assurance Corporation,
as Management Services Provider of
the Segregated Account of Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004

Attention: Claims Processing
Email: claimsprocessing@ambac.com
Facsimile: (212) 208-3404

With a copy to:

Manager, Securities Settlements
Email: OpsGroup@Ambac.com
Facsimile: (212) 208-3507

Reference Policy Number(s) and CUSIP number(s): [_____]

The undersigned hereby selects and requests, from the date hereof until such time as the undersigned has revoked such selection by submission of a new Surplus Note Payment Schedule in respect of the above-referenced Policy, with reference to that portion of each Permitted Claim to be paid by the Segregated Account in Surplus Notes (mark one OPTION):

OPTION 1. that a beneficial interest in a global Surplus Note [*include the following, if applicable:*] [, in its capacity as trustee and/or agent on behalf and for the benefit of the beneficial holder(s) of the underlying financial instrument insured by the above-referenced Policy], in the aggregate amount of such portion of each such Permitted Claim be delivered as follows:

Name:
DTC Participant Name:
DTC Participant #:
A/C # (if applicable):
A/C Name:
Trustee's/Agent's Contact Information (name, phone no., email address):

In electing this option the undersigned hereby certifies that (x) it will make such arrangements as are necessary to receive such beneficial interest in a global

Surplus Note from the Fiscal Agent via a DWAC instruction, and (y) it has registered, or has caused the trustee for the Insured Obligation to register, with The Depository Trust and Clearing Corporation (“DTCC”) as trustee on behalf and for the benefit of the beneficial owners of the Insured Obligation to enable it to request and receive (pursuant to a subscription for “Dividend Record Date Reports”) Security Position Reports directly from DTCC relating to the CUSIP or CUSIPs to which the above-referenced Policy relates.

Record date to be used for distributions of Surplus Notes to beneficial owners of insured obligation (select one):

Most recent record date

Historical record date

This is a UNIFORM DELIVERY INSTRUCTION and OPTION 1 (including the delivery instructions set forth above), as selected above, applies to all Policies for which reference numbers are listed on the first page of this Surplus Note Payment Schedule.

OPTION 2. that a beneficial interest in a global Surplus Note, in the aggregate amount of such portion of each such Permitted Claim, be delivered by the Fiscal Agent to the Segregated Account, and that such interests be subsequently transferred by the Segregated Account to the beneficial holder(s) of the underlying financial instrument insured by such Policy or their custodians; provided, that prior to electing this option, the undersigned shall have, and hereby certifies that it has, registered, or has caused the trustee for the Insured Obligation to register, with DTCC as trustee on behalf and for the benefit of the beneficial owner(s) of the Insured Obligation to enable it to request Security Position Reports directly from DTCC relating to the CUSIP or CUSIPs to which the above-referenced Policy relates, and to authorize the Segregated Account as an approved third party, which will enable the Segregated Account to request Security Position Reports directly from DTCC relating to such CUSIP or CUSIPs. In the event that this OPTION is selected, it is understood that the Segregated Account – and not the undersigned - shall request such Security Position Reports.

Record date to be used for distributions of Surplus Notes to beneficial owners of insured obligation (select one):

Most recent record date

Historical record date

This is a UNIFORM DELIVERY INSTRUCTION and OPTION 2, as selected above, applies to all Policies for which reference numbers are listed on the first page of this Surplus Note Payment Schedule.

OPTION 3. a certificated Surplus Note in the name of

[_____] [*include the following, if applicable:*] [, in its capacity as trustee and/or agent on behalf and for the benefit of the beneficial holder(s) of the underlying financial instrument insured by the above-referenced Policy,] in lieu of a beneficial interest in a global Surplus Note.² .

[_____],
as Holder

By: _____
Name:
Title:

² This election is subject to the approval of the Management Services Provider, in accordance with Section 4.04(d) of the Plan of Rehabilitation.

EXHIBIT C

PROOF OF POLICY CLAIM FORM

Date: [_____]

Ambac Assurance Corporation,
*as Management Services Provider of
the Segregated Account of Ambac Assurance Corporation*
One State Street Plaza
New York, NY 10004
Attention: Claims Processing
Email: claimsprocessing@ambac.com
Facsimile: (212) 208-3404

Reference Policy Number: [_____]

Reference is made to (i) the Plan of Rehabilitation of the Segregated Account of Ambac Assurance Corporation, as approved by the Circuit Court of Dane County, Wisconsin on January 24, 2011 (the "Plan of Rehabilitation"), (ii) the attached claim schedule, which includes detailed information about the claim made pursuant to this Proof of Policy Claim Form (the "Claim Schedule") and (iii) the Policy issued by Ambac Assurance Corporation ("Ambac"), identified above and on the Claim Schedule (the "Policy"), with respect to the insured obligation identified on the Claim Schedule (the "Insured Obligation"). Terms capitalized herein and not otherwise defined shall have the meanings ascribed to such terms in or pursuant to the Plan of Rehabilitation or the Policy, as the case may be, unless the context otherwise requires.

The undersigned hereby certifies as follows:

1. The undersigned is a Holder under the Policy and is entitled, pursuant to the provisions of the Policy, to submit a claim for the "Total Claim Amount" set forth on the Claim Schedule with respect to the Insured Obligation (the "Total Claim Amount").
2. The information set forth on the Claim Schedule is true, correct and complete.
3. The "Total Claim Amount" set forth on the Claim Schedule with respect to the Insured Obligation (the "Total Claim Amount") is due for payment pursuant to the terms of the Policy and the contracts and instruments relating to or governing the Insured Obligation.
4. The undersigned has not previously made a claim or demand for payment under the Policy in respect of amounts due on the Insured Obligation on the "Distribution Date" indicated on the Claim Schedule, except as otherwise

specified in an addendum to this Proof of Policy Claim Form submitted by the Holder herewith.

5. The undersigned hereby requests, as contemplated in Section 4.04(c) of the Plan of Rehabilitation, that the portion of the Total Claim Amount to be paid by the Segregated Account in Cash be made to the following account by bank wire transfer of federal or other immediately available funds:

Bank Name: [_____]
ABA #: [_____]
Acct #: [_____]
Reference: [_____]

6. [Complete the following if the Holder is a trustee and/or agent for the beneficial holder of the Insured Obligation:] The undersigned hereby agrees that, following receipt of any cash payment by the Segregated Account in respect of the Total Claim Amount, it shall (i) cause such funds to be distributed in accordance with the provisions of the underlying instrument or contract relating to the Insured Obligation, and (ii) maintain an accurate record of such payments with respect to the Insured Obligation and the corresponding claim on the Policy and proceeds thereof.
7. The undersigned has submitted to Ambac a Surplus Note Payment Schedule with respect to the Policy in the form attached to the Guidelines Under Plan of Rehabilitation (Claims Processing for Policy Claims) dated as of February 18, 2011 as Exhibit A, and the information set forth in such Surplus Note Payment Schedule continues to be true, correct and complete.
8. [If the Policy requires the Holder to submit a claim or demand for payment in a specified form or to have satisfied certain conditions, include the following:]
[The undersigned has duly completed and submitted to Ambac a claim or demand for payment in the form specified by the Policy, a copy of which is attached hereto, and all other conditions to the receipt of the Total Claim Amount have been satisfied, and the amount claimed therein is equal to the Total Claim Amount.]

Without prejudice to (i) the terms and provisions of the Policy and any other related underlying instrument(s) or contract(s) and (ii) any assignment previously executed, whether pursuant to a Proof of Policy Claim Form or otherwise, the undersigned [include the following, if applicable:] [, in its capacity as trustee and on behalf of the beneficial owners of the Insured Obligation], hereby assigns to Ambac all of its rights, title and interests [include the following, if applicable:] [, including rights, title and interests held by it on behalf of the beneficial owners of the Insured Obligation,] with respect to the Insured Obligation, to the extent of any payments by the Segregated Account with respect to such Insured Obligation; the foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to Ambac or the Segregated Account in respect of such payments. The undersigned shall take such action and

deliver such instruments as may be reasonably requested or required by Ambac or the Segregated Account to effectuate the purpose or provisions of the foregoing assignment.

The undersigned hereby acknowledges that the issuance of Surplus Notes by the Segregated Account in lieu of any Cash payments required to be made to the undersigned or any beneficial owner on whose behalf the undersigned is presenting this Proof of Policy Claim Form constitutes full and complete satisfaction of such payment obligation of the Segregated Account in respect of such claim, regardless of the existence of any provision in the Policy or any other underlying instrument or contract that would require, or that contemplates, the discharge of the obligations of the Segregated Account through the payment of Cash or otherwise.

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD THE SEGREGATED ACCOUNT, THE REHABILITATOR OR OTHER PERSON FILES A STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT ACT, WHICH MAY BE SUBJECT TO CIVIL AND/OR CRIMINAL PENALTY.

[_____],
as Holder

By: _____
Name:
Title:

