

---

In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

---

**REHABILITATOR'S OBJECTION TO THE AUGUST 30, 2010 MOTION OF THE  
RMBS "POLICYHOLDERS" REGARDING THIS COURT'S INJUNCTION ORDER**

---

TO: Honorable William D. Johnston, Presiding by Judicial Assignment  
Lafayette County Circuit Court  
Lafayette County Courthouse  
626 Main Street  
Post Office Box 40  
Darlington, Wisconsin 53530-0040

PLEASE TAKE NOTICE that the Commissioner of Insurance of the State of Wisconsin, as the court-appointed Rehabilitator in this case, hereby notes his objection to the motion filed on August 30, 2010 by a group of six hedge funds and securities broker-dealers (the "RMBS Movants") who inaccurately refer to themselves as RMBS "Policyholders" to clarify this Court's March 24, 2010 injunction order. The Rehabilitator requests that the Court schedule a hearing for the purposes of setting a briefing and hearing schedule on this matter.

The Rehabilitator reserves the right to file a full brief with supporting materials in opposition to the RMBS Movants' motion, but notes the following as some of the preliminary grounds for the objection:

1. Movants Have Failed to Demonstrate Standing to be Heard in This Proceeding. The RMBS Movants are not policyholders. Despite written and oral requests by the Rehabilitator, the RMBS Movants have refused to provide any information about the nature of their purported investments pertaining to RMBS notes insured by the Segregated Account. They have declined to identify the transactions, trusts and policies as to which their claimed

investments relate and the dates of their alleged purchases. For instance, by letter dated July 21, 2010, the Rehabilitator asked the RMBS Movants the following:

First, as I discussed with David [one of the RMBS Movants' lawyers], the Rehabilitator requests that you provide information from which we can evaluate whether, and to what extent, your clients have the legal authority to take positions in regard to RMBS policies issued to specific trusts and trustees. It would be helpful to receive an explication of the amount or percent of notes held by each of your clients broken out by specific trusts with information as to whether the positions are being held for your clients' own accounts or on behalf of third parties. It also would be helpful if you could provide excerpts of the relevant trust indentures or related documents which indicate the basis on which your clients have the right to speak as opposed to the trustees. To date, you have not provided us with any specific information about your clients' respective positions. The Rehabilitator believes that you have a threshold burden of proof on these points, particularly when other parties-in-interest have questioned whether, and to what extent the views you have advocated on behalf of your clients differ from those of the trustees, policyholders or other RMBS beneficiaries.

Various trustees have appeared in this proceeding claiming that they have the authority, not investors in unspecified transactions, to be heard on the RMBS issues before the Court. The Movants have not established their standing or other right to be heard in this proceeding and should be required to do so as a condition precedent.

2. The RMBS Movants Lack Standing to Pursue the Fraudulent Conveyance Claims Described in Their Motion. The relief sought by the RMBS Movants appears to be contrary to the Wisconsin law governing insurer dividends. The RMBS Movants should be required to establish their standing to pursue the relief described in their motion.

3. The Motion is Untimely. The RMBS Movants have been active litigants in this proceeding since they filed their first motion in April and were fully aware of the June 22, 2010 court-specified deadline for filing motions pertaining to the injunction.


4. The Motion is an Improper Collateral Attack on This Court's Prior Rulings Against Them. Various allegations in the relief they presently seek are inconsistent with this Court's May 24, 2010 written decision, findings of fact, and conclusions of law which the RMBS Movants are challenging on appeal. The Rehabilitator also has concerns that the relief requested by the hedge funds would lead to them pursuing the very types of improper discovery against OCI, Ambac and the Segregated Account in a different jurisdiction which this Court has already ruled to be inappropriate.

For the foregoing reasons, and others, the Rehabilitator objects to the motion and respectfully requests that the Court set the matter for a scheduling conference at a date convenient for the Court and opposing counsel in early October 2010.

Dated this 3rd day of September, 2010.

FOLEY & LARDNER LLP

By:

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

*Attorneys for Wisconsin Office of the  
Commissioner of Insurance and  
Sean Dilweg, Commissioner of Insurance of the  
State of Wisconsin. as Court-Appointed  
Rehabilitator of the Segregated Account of Ambac  
Assurance Corporation*