QUARTERLY STATEMENT

OF THE

Ambac Assurance Corporation Segregated Account, in Rehabilitation

Of

in the state of WI

to the Insurance Department

of the State of

For the Period Ended

June 30,

2010

PROPERTY AND CASUALTY

* 1 3 7 6 3 2 0 1 0 2 0 1 0 0 1 0 2 *

QUARTERLY STATEMENT

As of June 30, 2010

of the Condition and Affairs of the

Ambac Assurance Corporation Segregated Account, in Rehabilitation

NAIC Group Code 1248 , 1248 (Current Period) (Prior Period) NAIC Company Code 13763 Employer's ID Number 391135174

Organized under the Laws of Wisconsin State of Domicile or Port of Entry Wisconsin Country of Domicile United States of America

Incorporated/Organized March 24, 2010 Commenced Business March 24, 2010

Statutory Home Office c/o Dewitt Ross & Stevens S.C., 2 East Mifflin Street, Suite 600 (Street and Number) Madison, WI 53703 (City or Town, State and Zip Code)

Main Administrative Office One State Street Plaza (Street and Number) New York, NY 10004 (City or Town, State and Zip Code) 212-668-0340 (Area Code) (Telephone Number)

Mail Address One State Street Plaza (Street and Number or P. O. Box) New York, NY 10004 (City or Town, State and Zip Code)

Primary Location of Books and Records One State Street Plaza (Street and Number) New York, NY 10004 (City or Town, State and Zip Code) 212-668-0340 (Area Code) (Telephone Number)

Internet Website Address http://www.ambac.com

Statutory Statement Contact Kevin John Doyle (Name) 212-668-0340 (Area Code) (Telephone Number) (Extension)

KDoyle@ambac.com (E-Mail Address) 212-208-3558 (Fax Number)

Policyowner Relations Contact Kevin John Doyle (Name) One State Street Plaza (Street and Number)

New York, NY 10004 (City or Town, State and Zip Code) 212-668-0340 (Area Code) (Telephone Number) (Extension)

OFFICERS

Name	Title	Name	Title
1. David William Wallis	President & Chief Executive Officer	2. Michael Anthony Callen	Executive Chairman
3. Kevin John Doyle	Senior Vice President & General Counsel	4. David Trick	Senior Managing Director & Chief Financial Officer
5. Robert Bryan Eisman	Senior Managing Director & Chief Accounting Officer	6. Diana Adams	Senior Managing Director

DIRECTORS OR TRUSTEES of Ambac Assurance Corporation

Michael Anthony Callen	Jill Marie Considine	Philip Nicholas Duff	Thomas Charles Theobald
Laura Simone Unger	Henry Daniel George Wallace	Paul DeRosa	David William Wallis

State of New York
County of New York

The officers of Ambac Assurance Corporation being duly sworn, each depose and say that they are the described officers of Ambac Assurance Corporation, and that this reporting entity has appointed Ambac Assurance Corporation as its manager, with the authority to prepare and attest to this financial statement, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy of the enclosed statement (except for formatting differences due to electronic filing). The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
David William Wallis	Kevin John Doyle	Robert Bryan Eisman
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President (President & Chief Executive Officer), Ambac Assurance Corporation, in its capacity as manager of the Ambac Assurance Corporation Segregated Account	Secretary (Senior Vice President & General Counsel), Ambac Assurance Corporation, in its capacity as manager of the Ambac Assurance Corporation Segregated Account	Senior Managing Director & Chief Accounting Officer, Ambac Assurance Corporation, in its capacity as manager of the Ambac Assurance Corporation Segregated Account
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This ____________ day of ____________________

a. Is this an original filing? Yes [X] No [ ]
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds			0	
2. Stocks:				
2.1 Preferred stocks			0	
2.2 Common stocks			0	
3. Mortgage loans on real estate:				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate:				
4.1 Properties occupied by the company (less $..........0 encumbrances)			0	
4.2 Properties held for the production of income (less $..........0 encumbrances)			0	
4.3 Properties held for sale (less $..........0 encumbrances)			0	
5. Cash ($..........0), cash equivalents ($..........0) and short-term investments ($..........0)			0	
6. Contract loans (including $..........0 premium notes)			0	
7. Derivatives			0	
8. Other invested assets	2,003,489,873	20,345,427	1,983,144,446	
9. Receivables for securities			0	
10 Aggregate write-ins for invested assets	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10)	2,003,489,873	20,345,427	1,983,144,446	0
12. Title plants less $..........0 charged off (for Title insurers only)			0	
13. Investment income due and accrued	22,345,824		22,345,824	
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection			0	
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $..........0 earned but unbilled premiums)			0	
14.3 Accrued retrospective premiums			0	
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers			0	
15.2 Funds held by or deposited with reinsured companies			0	
15.3 Other amounts receivable under reinsurance contracts			0	
16. Amounts receivable relating to uninsured plans			0	
17.1 Current federal and foreign income tax recoverable and interest thereon			0	
17.2 Net deferred tax asset			0	
18. Guaranty funds receivable or on deposit			0	
19. Electronic data processing equipment and software			0	
20. Furniture and equipment, including health care delivery assets ($..........0)			0	
21. Net adjustment in assets and liabilities due to foreign exchange rates			0	
22. Receivables from parent, subsidiaries and affiliates			0	
23. Health care ($..........0) and other amounts receivable			0	
24. Aggregate write-ins for other than invested assets	0	0	0	0
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 through 24)	2,025,835,697	20,345,427	2,005,490,270	0
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
27. Total (Lines 25 and 26)	2,025,835,697	20,345,427	2,005,490,270	0

DETAILS OF WRITE-INS

	1	2	3	4
1001			0	
1002			0	
1003.			0	
1098. Summary of remaining write-ins for Line 10 from overflow page	0	0	0	0
1099. Totals (Lines 1001 thru 1003 plus 1098) (Line 10 above)	0	0	0	0
2401.			0	
2402.			0	
2403.			0	
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above)	0	0	0	0

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31 Prior Year
1.	Losses (current accident year $..........0)		
2.	Reinsurance payable on paid losses and loss adjustment expenses		
3.	Loss adjustment expenses		
4.	Commissions payable, contingent commissions and other similar charges		
5.	Other expenses (excluding taxes, licenses and fees)	1,194,497	
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1	Current federal and foreign income taxes (including $..........0 on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money $..........0 and interest thereon $..........0		
9.	Unearned premiums (after deducting unearned premiums for ceded reinsurance of $...........0 and including warranty reserves of $..........0)		
10.	Advance premium		
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)		
13.	Funds held by company under reinsurance treaties		
14.	Amounts withheld or retained by company for account of others		
15.	Remittances and items not allocated		
16.	Provision for reinsurance		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates		
20.	Derivatives		
21.	Payable for securities		
22.	Liability for amounts held under uninsured plans		
23.	Capital notes $..........0 and interest thereon $..........0		
24.	Aggregate write-ins for liabilities	2,004,036,128	0
25.	Total liabilities excluding protected cell liabilities (Lines 1 through 24)	2,005,230,625	0
26.	Protected cell liabilities		
27.	Total liabilities (Lines 25 and 26)	2,005,230,625	0
28.	Aggregate write-ins for special surplus funds	0	0
29.	Common capital stock		
30.	Preferred capital stock		
31.	Aggregate write-ins for other than special surplus funds	0	0
32.	Surplus notes		
33.	Gross paid in and contributed surplus		
34.	Unassigned funds (surplus)	259,645	
35.	Less treasury stock, at cost:		
	35.1 ....0.000 shares common (value included in Line 29 $..........0)		
	35.2 ....0.000 shares preferred (value included in Line 30 $..........0)		
36.	Surplus as regards policyholders (Lines 28 to 34, less 35)	259,645	0
37.	Totals	2,005,490,270	0

DETAILS OF WRITE-INS

2401.	Retroactive reinsurance reserves assumed from Ambac Assurance Corporation	4,679,786,745	
2402.	Retroactive reinsurance reserves retroceded to Ambac Assurance Corporation	(2,675,750,617)	
2403.			
2498.	Summary of remaining write-ins for Line 24 from overflow page	0	0
2499.	Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above)	2,004,036,128	0
2801.			
2802.			
2803.			
2898.	Summary of remaining write-ins for Line 28 from overflow page	0	0
2899.	Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	0	0
3101.			
3102.			
3103.			
3198.	Summary of remaining write-ins for Line 31 from overflow page	0	0
3199.	Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $..........0)			
1.2 Assumed (written $..........0)			
1.3 Ceded (written $..........0)			
1.4 Net (written $..........0)	0	0	0
DEDUCTIONS:			
2. Losses incurred (current accident year $..........0):			
2.1 Direct			
2.2 Assumed			
2.3 Ceded			
2.4 Net	0	0	0
3. Loss adjustment expenses incurred			
4. Other underwriting expenses incurred	10,195,815		
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	10,195,815	0	0
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(10,195,815)	0	0
INVESTMENT INCOME			
9. Net investment income earned	24,318,427		
10. Net realized capital gains (losses) less capital gains tax of $..........0			
11. Net investment gain (loss) (Lines 9 + 10)	24,318,427	0	0
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $..........0 amount charged off $..........0)	0		
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income	(14,122,612)	0	0
15. Total other income (Lines 12 through 14)	(14,122,612)	0	0
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	0	0	0
17. Dividends to policyholders			
18. Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	0	0	0
19. Federal and foreign income taxes incurred			
20. Net income (Line 18 minus Line 19) (to Line 22)	0	0	0
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	0		
22. Net income (from Line 20)	0	0	0
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of $..........0	20,605,072		
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax			
27. Change in nonadmitted assets	(20,345,427)		
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37)	259,645	0	0
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	259,645	0	0

DETAILS OF WRITE-INS

0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0
1401. Change in retroactive reinsurance reserves assumed from Ambac Assurance Corporation	(2,689,873,229)		
1402. Change in retroactive reinsurance reserves retroceded to Ambac Assurance Corporation	2,675,750,617		
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	(14,122,612)	0	0
3701.			
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above)	0	0	0

CASH FLOW

	1 Current Year to Date	2 Prior Year To Date	3 Prior Year Ended December 31
CASH FROM OPERATIONS			
1. Premiums collected net of reinsurance			
2. Net investment income			
3. Miscellaneous income			
4. Total (Lines 1 through 3)	0	0	0
5. Benefit and loss related payments			
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions			
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of $..........0 tax on capital gains (losses)			
10. Total (Lines 5 through 9)	0	0	0
11. Net cash from operations (Line 4 minus Line 10)	0	0	0
CASH FROM INVESTMENTS			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds			
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds			
12.8 Total investment proceeds (Lines 12.1 to 12.7)	0	0	0
13. Cost of investments acquired (long-term only):			
13.1 Bonds			
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications			
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	0	0
14. Net increase (decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	0	0	0
CASH FROM FINANCING AND MISCELLANEOUS SOURCES			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)			
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	0	0	0
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	0	0	0
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	0		
19.2 End of period (Line 18 plus Line 19.1)	0	0	0

NONE

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001			

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

a. Accounting Practices

The accompanying financial statements of Ambac Assurance Corporation Segregated Account, in Rehabilitation (the "Company" or the "Segregated Account") have been prepared on the basis of accounting practices prescribed or permitted by Office of the Commissioner of Insurance of the State of Wisconsin ("OCI").

The OCI recognizes only statutory accounting practices prescribed or permitted by the State of Wisconsin for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under Wisconsin Insurance Law. The National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP") has been adopted as a component of prescribed practices by the State of Wisconsin.

b. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting practices prescribed or permitted by the State of Wisconsin requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statutory financial statements, and the reported revenues and expenses during the reporting period. Such estimates are used in connection with retroactive reinsurance reserves. Current market conditions increase the risk and complexity of the judgments in estimates. Actual results could differ from those estimates.

c. Accounting Policies

As noted in footnote #10 below, on March 24, 2010, Ambac Assurance Corporation ("Ambac Assurance") established a segregated account pursuant to Wisc. Stat. §611.24(2). Under Wisconsin insurance law, the Segregated Account is a separate insurer from Ambac Assurance for purposes of the Segregated Account Rehabilitation Proceedings. The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities. The Segregated Account was capitalized by a $2,000,000,000 secured note due 2050 issued by Ambac Assurance (the "Secured Note") and an aggregate excess of loss reinsurance agreement provided by Ambac Assurance (the "Reinsurance Agreement") whereby Ambac Assurance assumes all liabilities in excess of the Secured Note principal balance and the total of all other liquid assets. The Company has applied the retroactive reinsurance accounting guidance contained in SSAP 62R "Property and Casualty Insurance" to account for the initial transfer and retrocession of the liabilities, as well as subsequent changes in the reserves.

Expenses incurred in connection with the operation of the Segregated Account pursuant to the Segregated Account Rehabilitation Proceedings are charged to operations as incurred.

In addition, the Company utilizes the following accounting policies:

i. The Company did not hold short-term investments or cash equivalents at June 30, 2010.

ii. The Company did not hold investments in bonds at June 30, 2010.

iii. The Company did not hold investments in unaffiliated common stocks at June 30, 2010.

iv. The Company did not hold investments in preferred stock at June 30, 2010.

v. The Company did not hold investments in mortgage loans at June 30, 2010.

vi. The Company did not hold investments in loan-backed securities mortgage loans at June 30, 2010.

vii. Investments in non-insurance limited liability companies ("LLCs") are recorded based on the audited GAAP equity of the investee. Investments in unaudited companies are non-admitted.

viii. The Company did not hold derivative instruments at June 30, 2010.

ix. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53 – Property and Casualty Contracts – Premiums.

x. The Company did not establish case basis loss reserves at June 30, 2010. The Company recognizes a Retroactive Reinsurance Liability for its obligations.

xi. On March 24, 2010, the Segregated Account assumed liabilities from Ambac Assurance of $3,639,973,059 in return for consideration in the form of a secured note in the amount of $2,000,000,000 resulting in a loss of $1,639,973,059. Pursuant to the aggregate excess of loss reinsurance agreement, the Segregated Account in turn retroceded $1,639,973,059 of these liabilities back to Ambac Assurance, resulting in a net gain of $-0- on the initial allocation of liabilities and retrocession. Refer to the table in footnote 22f for year to date retroactive reinsurance activity.

The liabilities assumed from Ambac Assurance include contingency reserves, loss and loss adjustment expense reserves recorded in accordance with Ambac Assurance's accounting policies and practices. The Company does not record additional contingency reserves on these assumed exposures.

Note 2 - Accounting Changes and Corrections of Errors

The Company did not have any correction of errors at June 30, 2010.

Note 3 - Business Combinations and Goodwill

The Company has not been a party to any business combinations taking the form of a statutory merger.

Note 4 - Discontinued Operations

The Company does not have any discontinued operations at June 30, 2010.

Note 5 - Investments

a. Mortgage Loans – The Company did not hold mortgage loans as investments at June 30, 2010.

b. Restructured Debt – The Company did not restructure any investments in debt securities at June 30, 2010.

c. Reverse Mortgages – The Company did not hold reverse mortgages as investments at June 30, 2010.

d. Loan-Backed Securities – The Company did not hold loan-backed securities at June 30, 2010.

e. Repurchase Agreements – The Company did not enter into repurchase agreements at June 30, 2010.

f. Real Estate Impairment and Land Sales – The Company did not hold investments in real estate, recognize any real estate impairments, or engage in retail land sales at June 30, 2010.

g. Low Income Housing Tax Credits – The Company did not hold low income housing tax credits as investments at June 30, 2010.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in Joint Ventures, Limited Partnerships, or Limited Liability Companies that exceed 10% of admitted assets.

Note 7 - Investment Income

All investment income due and accrued was admitted at June 30, 2010.

Note 8 - Derivative Instruments

The Company did not hold derivative instruments at June 30, 2010.

Note 9 - Income Taxes

The Company adopted SSAP 10R effective March 31, 2010.

A. The Company does not have a net deferred tax asset at June 30, 2010.

1. The admitted deferred tax assets provisions of paragraph 10.e. do not apply to the Company because it is a Financial Guarantee Monoline insurer and is not required to prepare Risk Based Capital calculations.

2. The Company has no net admitted adjusted gross deferred tax assets under SSAP 10R.

3. The Company has no admitted adjusted gross deferred tax assets as a result of the application of paragraph 10.e.

B. Unrecognized Deferred Tax Liabilities

1. There are no temporary differences for which deferred tax liabilities are not recognized.

2. The Company has a $0 unrecognized DTL for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration (or a statement that a determination is not practicable).

C. Current Tax and Change in Deferred Tax

1. The Company has no provisions for income taxes incurred on earnings for the six months ended June 30, 2010.

2. The Company does not have any deferred tax assets nor liabilities at June 30, 2010.

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

1. The Company does not have net income or income tax incurred for the three months ended June 30, 2010.

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

1. At June 30, 2010, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.

2. At June 30, 2010, there are no amounts available for recoupment in the event of future net losses.

3. The Company has no deposits admitted under Section 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Returns

1. For the purposes of federal income taxes, the Segregated Account and Ambac Assurance are a single tax-paying entity (“Ambac Assurance

Corporation"). Ambac Assurance Corporation will be included in Ambac Financial Group, Inc.'s ("Ambac Financial") consolidated federal income tax return, which includes the following taxable entities: Ambac Financial, Ambac Assurance Corporation, Ambac (Bermuda) Limited, Ambac Capital Corporation, Ambac Investments Inc., Ambac Capital Funding, Inc., RangeMark Financial Services Inc., Ambac Asset Funding Corporation, Ambac All Corporation, Connie Lee Holdings, Inc. and Everspan.

2. The method of allocation between the Companies is subject to a written Tax Sharing Agreement approved by both the Wisconsin Insurance Department and Ambac Assurance's Board of Directors. Amounts assessed/reimbursed are based upon separate return calculations made as if the Company had filed its own federal income tax return for each taxable period. Pursuant to an agreement with Ambac Financial, the Company will be paid for losses to the extent they could be utilized by the Company on a standalone basis under the rules of the Internal Revenue Code.

Note 10 - Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

Recent Developments:

Segregated Account

a. On March 24, 2010, Ambac Assurance established a segregated account pursuant to Wisc. Stat. §611.24(2) (the "Segregated Account"). Under Wisconsin insurance law, the Segregated Account is a separate insurer from Ambac Assurance for purposes of the Segregated Account Rehabilitation Proceedings (as defined and described below). The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities. The Segregated Account will be operated in accordance with a Plan of Operation (the "Plan of Operation") and certain operative documents relating thereto (which include the Secured Note, the Reinsurance Agreement, the Management Services Agreement and the Cooperation Agreement). These operative documents provide that the Segregated Account will act exclusively through the rehabilitator. Pursuant to the Plan of Operation, Ambac Assurance has allocated to the Segregated Account (1) certain policies insuring or relating to credit default swaps; (2) residential mortgage-backed securities ("RMBS") policies; (3) certain student loan policies; and (4) other policies insuring obligations with substantial projected impairments or relating to transactions which have contractual triggers based upon Ambac Assurance's financial condition or the commencement of rehabilitation, which triggers are potentially damaging (collectively, the "*Segregated Account Policies*"). The policies described in (4) above include (a) certain types of securitizations, including commercial asset-backed transactions, consumer asset-backed transactions and other types of structured transactions; (b) the policies relating to Las Vegas Monorail Company; (c) policies relating to debt securities purchased by, and the debt securities issued by, Juneau Investments, LLC and Aleutian Investments, LLC, which are both finance companies owned by Ambac Assurance; (d) policies relating to leveraged lease transactions; and (e) policies relating to interest rate, basis, and/or currency swap or other swap transactions. Ambac Assurance also allocated the following to the Segregated Account: (i) all remediation claims, defenses, offsets, and/or credits (except with respect to recoveries arising from remediation efforts or reimbursement or collection rights), if any, in respect of the Segregated Account Policies, (ii) Ambac Assurance's disputed contingent liability, if any, under the long-term lease with One State Street, LLC, and its contingent liability (as guarantor), if any, under the Ambac Assurance UK Limited ("Ambac UK") lease with British Land, (iii) Ambac Assurance's limited liability interests in Ambac Credit Products, LLC ("ACP"), Ambac Conduit Funding LLC, Aleutian Investments, LLC ("Aleutian") and Juneau Investments, LLC ("Juneau") and (iv) all of Ambac Assurance's liabilities as reinsurer under reinsurance agreements (except for reinsurance assumed from Everspan). Net par exposure allocated to the Segregated Account is $57,610,863,498 as of June 30, 2010, which is inclusive of net par exposures assumed under reinsurance contracts, primarily from Ambac UK, in an aggregate amount of $20,973,633,032.

On March 24, 2010, the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") commenced rehabilitation proceedings with respect to the Segregated Account (the "Segregated Account Rehabilitation Proceedings") in order to permit the OCI to facilitate an orderly run-off and/or settlement of the liabilities allocated to the Segregated Account pursuant to the provisions of the Wisconsin Insurers Rehabilitation and Liquidation Act. The rehabilitator of the Segregated Account is Sean Dilweg, the Commissioner of Insurance of the State of Wisconsin. On March 24, 2010, the rehabilitation court also issued an injunction effective until further order of the court enjoining certain actions by Segregated Account policyholders and other counterparties, including the assertion of damages or acceleration of losses based on early termination and the loss of control rights in insured transactions. Certain Segregated Account policyholders have filed lawsuits challenging the Segregated Account Rehabilitation Proceedings (see footnote 14e).

Pursuant to the Verified Petition filed in Wisconsin in connection with such proceedings, the OCI has stated that it will seek the approval of the rehabilitation court for a plan of rehabilitation with respect to the Segregated Account (the "Segregated Account Rehabilitation Plan"). The Verified Petition states that the Segregated Account Rehabilitation Plan will, if approved, provide, among other things, that the holders of Segregated Account Policies shall receive in respect of claims made a combination of (i) cash and (ii) surplus notes (the "Segregated Account Surplus Notes") with the same terms as the Ambac Assurance Surplus Notes (as defined below). Until the Segregated Account Rehabilitation Plan is approved, which OCI has indicated will be filed approximately six months after the rehabilitation proceedings were commenced, it is anticipated that no claims will be paid on Segregated Account Policies, except as approved by the rehabilitation court. In July 2010, with the approval of the rehabilitation court, the Segregated Account issued $50 million of Segregated Account Surplus Notes in connection with a commutation of an insurance policy allocated to the Segregated Account.

Ambac Assurance has issued a $2,000,000,000 secured note due in 2050 (the "Secured Note") to the Segregated Account. The Segregated Account has the ability to demand payment from time to time to pay claims and other liabilities. The balance of the secured note is $1,982,884,800 at June 30, 2010, inclusive of capitalized interest since the date of issuance. In addition, once the Secured Note has been exhausted, the Segregated Account has the ability to demand payment from time to time under an aggregate excess of loss reinsurance agreement provided by Ambac Assurance (the "Reinsurance Agreement") to pay claims and other liabilities. Ambac Assurance is not obligated to make payments on the Secured Note or under the Reinsurance Agreement if its surplus as regards to policyholders is (or would be) less than $100,000,000, or such higher amount as the OCI permits pursuant to a prescribed accounting practice (the "Minimum Surplus Amount"). As long as the surplus as regards to policyholders is not less than the Minimum Surplus Amount, payments by the general account of Ambac Assurance (the "General Account") to the Segregated Account under the Reinsurance Agreement are not capped. In addition, the Plan of Operation provides that the General Account may issue surplus notes directly to holders of Segregated Account Policies to satisfy the portion of claim liability not paid by the Segregated Account in cash or in Segregated Account Surplus Notes. There is no Wisconsin insurance fund available to pay claims.

Pursuant to the terms of the Plan of Operation, assets and investments, if any, allocated to the Segregated Account will be available and used solely to satisfy costs, expenses, charges, and liabilities attributable to the items allocated to the Segregated Account. Such assets and investments, if any, will not be charged with any costs, expenses, charges, or liabilities arising out of any other business of Ambac Assurance, except as otherwise provided in the Secured Note or the Reinsurance Agreement. Likewise, assets and investments in the General Account will not be charged with any costs, expenses, charges, or liabilities arising out of the direct business allocated to the Segregated Account, except as otherwise provided in the Secured Note or the Cooperation Agreement (as defined and described below).

The Secured Note will be subject to mandatory prepayment on demand in an amount equal to (i) the cash portion of claim liabilities, loss settlements, commutations and purchases of Segregated Account Policies (or related insured obligations) due and payable by the Segregated Account ("Segregated Account Policy Cash Payments"), amounts due and payable by the Segregated Account arising out of the non-policy obligations allocated thereto, and any cash interest payment and cash principal repayment under any Segregated Account Surplus Notes in connection with any of the foregoing, provided in each case such amounts due and payable are in accordance with the Segregated Account Rehabilitation Plan and not otherwise disapproved by the rehabilitator of the Segregated Account plus (ii) amounts due and payable by the

Segregated Account in respect of specified administrative expenses of the Segregated Account plus (iii) other amounts directed to be paid by the rehabilitator of the Segregated Account in conjunction with the rehabilitation proceeding, minus (iv) the amount of the Segregated Account's liquid assets as determined by the Segregated Account. In addition, if an event of default occurs under the Secured Note, the Segregated Account is entitled to accelerate the outstanding principal amount due under the Secured Note.

Interest on the Secured Note accrues at the rate of 4.5% per annum, and accrued interest will be added to principal quarterly. Ambac Assurance has secured its obligations under the Secured Note and the Reinsurance Agreement by granting to the Segregated Account a security interest in all of Ambac Assurance's right, title and interest in installment premiums received in respect of the Segregated Account Policies; reinsurance premiums received in respect of assumed reinsurance agreements with respect to which the liabilities of Ambac Assurance have been allocated to the Segregated Account; recoveries under third party reinsurance agreements in respect of the Segregated Account Policies; and any recoveries arising from remediation efforts or reimbursement or collection rights with respect to policies allocated to the Segregated Account. Pursuant to the Secured Note, Ambac Assurance has made certain covenants to the Segregated Account, including covenants that Ambac Assurance will not, (i) without the Segregated Account's consent (not to be unreasonably withheld), amend its investment policies if doing so would have a material adverse effect on Ambac Assurance's ability to perform its obligations under the Secured Note, the Reinsurance Agreement and the documents relating thereto or under any other material agreement to which it is a party, (ii) without the prior approval of the OCI and the rehabilitator of the Segregated Account, directly or indirectly make any distribution to its shareholder or redeem any of its securities and, (iii) without the Segregated Account's consent (not to be unreasonably withheld), enter into any transaction other than pursuant to the reasonable requirements of Ambac Assurance's business and which Ambac Assurance reasonably believes are fair and reasonable terms and provisions.

Pursuant to the Reinsurance Agreement, Ambac Assurance has agreed to pay Segregated Account Policy Cash Payments, any cash interest payment and cash principal repayment under any Segregated Account Surplus Notes in connection with any of the foregoing and other amounts directed to be paid by the rehabilitator of the Segregated Account in conjunction with the rehabilitation proceeding, minus the amount of the Segregated Account's liquid assets as determined by the Segregated Account. Ambac Assurance's liability under the Reinsurance Agreement will attach only after all principal under the Secured Note has been paid. The Reinsurance Agreement contains the same covenants for the benefit of the Segregated Account as those that appear in the Secured Note, as described in the preceding paragraph.

Policy obligations not transferred to the Segregated Account remain in the General Account, and such policies in the General Account are not subject to and, therefore, will not be directly impacted by, the Segregated Account Rehabilitation Plan. Ambac Assurance is not, itself, in rehabilitation proceedings.

During the Segregated Account Rehabilitation Proceedings, the rehabilitator of the Segregated Account has the authority to control the management of the Segregated Account. Ambac Assurance will provide certain management and administrative services to the Segregated Account and the rehabilitator pursuant to a Management Services Agreement (the "Management Services Agreement"), including information technology services, credit exposure management, treasury, accounting, tax, management information, risk management, loss management, internal audit services and business continuity services. Services will be provided at cost, subject to mutual agreement of the Segregated Account and Ambac Assurance. Either party may terminate the Management Services Agreement for cause upon 120 days written notice (or such shorter period as the rehabilitator may determine) and the Segregated Account may terminate without cause at any time upon at least 30 days prior notice. If the Segregated Account elects to terminate the Management Services Agreement, Ambac Assurance will not have the right to consent to the replacement services provider.

Ambac Assurance and the Segregated Account have also entered into a Cooperation Agreement (the "Cooperation Agreement"), pursuant to which the parties have agreed to certain matters related to decision-making, information sharing, tax compliance and allocation of expenses (including an agreement by Ambac Assurance to reimburse the Segregated Account for specified expenses to the extent not reimbursed under the Secured Note, subject to the Minimum Surplus Amount). Ambac Assurance has made certain covenants to the Segregated Account, including an agreement to not enter into any transaction involving more than $5,000,000 (or such higher amount as is agreed with the rehabilitator) without the Segregated Account's prior consent (other than policy claim payments made in the ordinary course of business and investments in accordance with Ambac Assurance's investment policy), and providing the Segregated Account with an annual budget and projection for Ambac Assurance and its subsidiaries for the forthcoming fiscal year, as well as quarterly updates thereto. The Cooperation Agreement also addresses Ambac Assurance's rights in the event Ambac Assurance is no longer the management and administrative services provider to the Segregated Account as described above.

Accounting Considerations:

1) The $2,000,000,000 secured note due 2050 has been recorded in Other Invested Assets and its value at June 30, 2010 is $1,982,884,800.

2) The allocation of insurance policies to the Segregated Account as well as the aggregate excess of loss reinsurance agreement has been recorded as retroactive reinsurance since these contracts were executed in connection with a court-ordered rehabilitation of the Ambac Assurance Segregated Account. Accordingly, the net balances due under these obligations are reported as a net write-in contra-liability.

Settlement Agreement

On June 7, 2010, Ambac Assurance Corporation entered into a Settlement Agreement (the "Settlement Agreement") with the counterparties (the "Counterparties") to outstanding credit default swaps with Ambac Credit Products, LLC ("ACP") that were guaranteed by Ambac Assurance. Pursuant to the terms of the Settlement Agreement, in exchange for the termination of the Commuted CDO of ABS Obligations (as defined below), Ambac Assurance paid to the Counterparties in the aggregate (i) $2,600,000,000 in cash and (ii) $2,000,000,000 in principal amount of newly issued surplus notes of Ambac Assurance (the "Ambac Assurance Surplus Notes"). In addition, effective June 7, 2010, the outstanding credit default swaps with the Counterparties remaining in the General Account of Ambac Assurance have been amended to remove certain events of default and termination events, as set forth in the Settlement Agreement.

Pursuant to the Settlement Agreement, Ambac Assurance has filed an amendment to its articles of incorporation. Under such amendment, at all times after September 30, 2010, at least two members of the board of directors of Ambac Assurance must be Unaffiliated Qualified Directors (as defined in the Settlement Agreement) and, at all times after November 29, 2010, at least one-third (and, in any event, not less than three members) of the board of directors of Ambac Assurance must be Unaffiliated Qualified Directors. If at any time Ambac Assurance does not have the requisite number of Unaffiliated Qualified Directors, Ambac Assurance has agreed to use its commercially reasonable efforts to find additional Unaffiliated Qualified Directors.

The Settlement Agreement includes covenants that remain in force until the Ambac Assurance Surplus Notes have been redeemed, repurchased or repaid in full. These covenants generally restrict the operations of Ambac Assurance and its subsidiaries to runoff activities. Certain of these restrictions may be waived with the approval of a majority of the Unaffiliated Qualified Directors and/or the OCI. However, other restrictions may only be waived with the approval of the holders of a majority of the outstanding Ambac Assurance Surplus Notes (excluding any notes held by Ambac Assurance or its affiliates) that cast a ballot and, in certain cases, with the approval of all of the Counterparties.

Pursuant to a commutation agreement entered into with each of the Counterparties that is a party to credit default swaps written by ACP with respect to certain CDO of ABS obligations and related financial guaranty insurance policies written by Ambac Assurance with respect to ACP's obligations thereunder, Ambac Assurance and ACP have commuted all of such obligations (the "Commuted CDO of ABS Obligations"), totaling $16,542,574,575 of par. In addition to the commutation of the Commuted CDO of ABS Obligations, Ambac Assurance has also commuted for $96,517,985 of cash certain additional obligations, including certain non-CDO of ABS obligations, to the Counterparties with par or notional amounting to $1,406,543,761. Ambac Assurance commuted another CDO of ABS transaction in an amount equal to its remaining par value of

$90,000,000. It is expected that, subject to certain conditions, certain other non-CDO of ABS obligations with par amounting to a maximum of approximately $1,400,000,000 will be commuted within the next twelve months for a maximum amount of approximately $115,000,000 of cash plus surplus notes of Ambac Assurance with a par value of $60,000,000. Each of the Counterparties, in the aggregate and Ambac Assurance, ACP and Ambac, in the aggregate, have released the other party from any claims relating to any credit default swaps or financial guaranty insurance policies commuted pursuant to the Commutation Agreements. In addition, Ambac Assurance, ACP and Ambac, in the aggregate, and a Counterparty have generally released the other parties from any claims relating to actions taken or omitted to be taken prior to June 7, 2010, subject to certain exceptions.

At June 30, 2010, the Ambac Assurance Surplus Notes are reported with a carrying value of $2,000,000,000. Interest on the Ambac Assurance Surplus Notes is payable annually at the rate of 5.1% on the unpaid principal balance outstanding. All payments of principal and interest on the Ambac Assurance Surplus Notes are subject to the prior approval of the OCI. If the OCI does not approve the payment of interest on the Ambac Assurance Surplus Notes, such interest will accrue and compound annually until paid. The Ambac Assurance Surplus Notes were issued pursuant to a Fiscal Agency Agreement entered into on June 7, 2010 with The Bank of New York Mellon, as fiscal agent (the "Fiscal Agency Agreement").

Ambac Assurance has entered into call options with certain of the Counterparties pursuant to which, with the prior consent of OCI, Ambac Assurance may repurchase Ambac Assurance Surplus Notes from such Counterparties. As of the date hereof, Ambac Assurance has options to call an aggregate of $940.0 million in principal amount of Ambac Assurance Surplus Notes at a weighted average call price of $0.22 per $1.00 face amount. At June 30, 2010, these options have a weighted average maturity of approximately 29 months.

Pursuant to the terms of the Settlement Agreement, on June 7, 2010, Ambac entered into an amendment to the Tax Sharing Agreement (the "Tax Sharing Agreement") with its affiliates. Under the Tax Sharing Agreement, the consolidated net operating losses ("NOL") of the group are treated as an asset of Ambac Assurance and its subsidiaries. Ambac is required to compensate Ambac Assurance on a current basis for use of any portion of that asset, except that Ambac is not required to compensate Ambac Assurance for Ambac's use of NOL in connection with cancellation of debt income associated with restructurings of its debt outstanding as of March 15, 2010.

b. There were no transactions with affiliates that were greater than ½ of 1% of admitted assets subsequent of the creation of the Segregated Account.

c. At March 24, 2010, the Segregated Account established new transactions with affiliates.

d. At June 30, 2010, the Company reported an investment in the Secured Note, referenced in 10a, which is due from Ambac Assurance Corporation in the amount of $1,982,884,800. In addition, the Company has retroactively assumed reinsurance liabilities from and retroactively ceded reinsurance liabilities to Ambac Assurance Corporation in the amounts of $4,679,786,745 and $2,675,750,617, respectively.

e. For the purposes of the Segregated Account Rehabilitation Proceedings, Ambac Assurance allocated Ambac Assurance's limited liability interests in ACP, Ambac Conduit Funding LLC, Aleutian Investments LLC and Juneau Investments LLC to the Segregated Account.
Effective March 24, 2010, the Segregated Account entered into a Management Services Agreement and a Cooperation Agreement with Ambac Assurance as further described in (a.) above.

f. The Company, a Wisconsin domiciled insurance company, is a separate insurer from Ambac Assurance for purposes of the Segregated Account Rehabilitation Proceedings. Ambac Assurance is a wholly owned subsidiary of Ambac Financial, a publicly traded company whose common stock is listed on the New York Stock Exchange. The organization chart is included in Schedule Y.

g. The Company owns no shares in an upstream intermediate or ultimate parent.

h. The Company owns 100% of ACP and Ambac Conduit Funding LLC which owns 99% of Aleutian Investments LLC and Juneau Investments LLC at June 30, 2010. Additionally, the Company has a 1% direct ownership of Aleutian Investments, LLC and Juneau Investments, LLC. None of the Company's investments in subsidiary, controlled or affiliated companies exceeds 10% of the admitted assets of the Company at June 30, 2010.

i. There were no write-downs for impairments of investments in subsidiary, controlled or affiliated companies during 2010.

j. The Company does not have any foreign insurance subsidiaries valued using CARVM.

k. The Company does not admit any downstream holding companies.

Note 11 - Debt

a. The Company has no capital note obligations or any other debt outstanding.

b. The Company has no funding agreements with Federal Home Loan Banks (FHLB).

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

a. The Company does not sponsor a defined benefit pension plan.

b. The Company does not sponsor a defined contribution pension plan.

c. The Company does not sponsor a multiemployer pension plan.

d. The Company has no employees at June 30, 2010 and therefore does not participate in any holding company benefit plans.

e. The Company has no employees at June 30, 2010 and therefore does not have any postemployment benefits or compensated absences.

f. The Company has no employees at June 30, 2010 and therefore no impact from the medicare modernization act.

Note 13 - Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

a. The Company has no common stock outstanding.

b. The Company has no preferred stock outstanding.

c. Pursuant to the Rehabilitation Proceeding as noted in footnote #10, the Company must obtain the approval of OCI before any dividend is paid.

d, e. The Company did not make any dividend payments during 2010.

f. Restrictions on Unassigned Funds – There are no restrictions other than the limitations in paragraph c and the payments described in footnote #10.

g. The Company is not a mutual company; as such, there were no mutual surplus advances during 2010.

h. The Company holds no stock for special purposes.

i. There are no special surplus funds as of June 30, 2010.

j. Unassigned funds (surplus) includes the following at June 30, 2010:

Net unrealized gain (losses)	$ 1,912,689
Non-admitted assets	$ (20,345,427)

k. The Company has not issued surplus notes at June 30, 2010.

l. The Company has not undergone a reorganization or a quasi-reorganization.

Note 14 - Contingencies

a. The Company has no commitments or contingent commitments to any affiliates.

b. The Company does not issue life insurance policies and therefore is not subject to guaranty fund assessments.

c. The Company has not recognized any gain contingencies either prior to or subsequent to the balance sheet date.

d. The Company did not have any claims related to extra contractual obligations or bad faith losses stemming from lawsuits.

e. Since the commencement of the Segregated Account Rehabilitation Proceedings, Ambac Assurance has been named in lawsuits filed by certain policyholders seeking to enjoin Ambac Assurance from entering into the Settlement Agreement discussed above in "Recent Developments" section contained in this Report. Various third parties have filed motions or objections in the rehabilitation court and/or moved to intervene in the rehabilitation proceedings. These challenges can be divided into three groups.

First, several third parties sought to enjoin the consummation of a commutation transaction between the General Account and certain financial institutions that were counterparties to credit-default swaps wrapped by Ambac Assurance (the "CDS Settlement"). Initial challenges to the CDS Settlement were brought by: (a) a group composed of Aurelius Capital Management, LP, Fir Tree, Inc., King Street Capital, L.P., King Street Capital Master Fund Ltd., Monarch Alternative Capital LP, and Stonehill Capital Management LLC and their respective managed funds (the "RMBS Investors"); and (b) certain beneficial holders of the Las Vegas Monorail Project Revenue Bonds (the "LVM Bondholders"). A number of other institutions, including Bank of New York Mellon, U.S. Bank N.A., Deutsche Bank National Trust Co. and Deutsche Bank Trust Co. Americas, in their capacities as trustees of securitization trusts, as well as Federal Home Loan Mortgage Corp., joined these challenges to the CDS Settlement, in whole or in part. On May 27, 2010, the court entered an order denying all challenges to the CDS Settlement, and the CDS Settlement was consummated on June 7, 2010. The RMBS Investors, the LVM Bondholders and Federal Home Loan Mortgage Corp. are appealing from the court's May 27, 2010 order.

Second, a number of third parties have objected to the creation and rehabilitation of the Segregated Account on constitutional, statutory and common law grounds. The first such challenge was filed by Wells Fargo Bank, N.A., in its capacity as trustee for the beneficial owners of the Las Vegas Monorail Project Revenue bonds. The RMBS Investors filed similar challenges, which were denied in the May 27, 2010 order. The LVM Bondholders objected to the allocation of their policies to the Segregated Account. This motion and the motion filed by Wells Fargo were denied in an order entered on July 16, 2010. On August 2, 2010, the LVM Bondholders filed a notice of appeal from this order.

Additional third parties have challenged the creation and rehabilitation of the Segregated Account and/or the allocation of their policies to the Segregated Account, including Deutsche Bank National Trust Co., Deutsche Bank Trust Co. Americas and U.S. Bank National Association, all in their capacities as trustees for securitization trusts, as well as PNC Bank, N.A., as servicer of a securitization trust, and ALL Student Loan Corp., Lloyds TSB Bank plc, Depfa Bank, plc, One State Street LLC, KnowledgeWorks Foundation and the Treasurer of the State of Ohio. These motions are scheduled to be argued on September 9 and 13, 2010.

Third, certain third parties filed motions seeking dissolution or modification of the court's temporary injunction order on constitutional, statutory and common law grounds. These objectors include Bank of America, N.A., Bank of New York Mellon, Deutsche Bank National Trust Co., Deutsche Bank Trust Co. Americas, U.S. Bank National Association, and Wells Fargo Bank, N.A., all in their capacities as trustees for securitization trusts, as well as PNC Bank, N.A., as servicer of a securitization trust, and KnowledgeWorks Foundation, the Treasurer of the State of Ohio, Depfa Bank plc, and One State Street LLC. These motions are scheduled to be argued on September 9 and 13, 2010.

Note 15 - Leases

a. The Company has no direct lease obligations at June 30, 2010. In connection with the establishment of the Segregated Account, Ambac Assurance allocated its disputed contingent liability, if any, under the long-term lease with One State Street, LLC, and its contingent liability (as guarantor), if any, under the Ambac Assurance UK Limited ("Ambac UK") lease with British Land.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

a. In connection with the establishment of the Segregated Account, financial guarantee insurance policies were allocated to the Segregated Account. Financial guarantee insurance policies guarantee payment, when due, of principal and interest on the guaranteed obligation. Total gross principal on exposures allocated to the Segregated Account, at June 30, 2010 was $58,258,185,828.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

a. The Company has not sold or transferred any receivables during 2010.

b. The Company has not transferred or serviced any financial assets during 2010.

c. The Company did not engage in any wash sale transactions during 2010.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

a. The Company does not serve as an Administrative Services Only ("ASO") provider.

b. The Company does not serve as an Administrative Services Contract ("ASC") provider.

c. The Company is not a party to any Medicare or similarly structured cost based reimbursement contracts.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

a. The Company did not write direct premiums through managing general agents or third party administrators.

Note 20 - Other Items

a. The Company had no extraordinary items during 2010.

b. The Company has no debt outstanding.

c. The Company has no other disclosures.

d. As of June 30, 2010, the Company had no uncollectible premiums receivable.

e. The Company had no business interruption insurance recoveries during 2010.

f. The Company does not have any state transferable tax credits.

a. The Segregated Account has exposure to the U.S. sub-prime mortgage market as a result of the allocation of financial guarantee insurance policies for residential mortgage-backed securities (“RMBS”) issued by Ambac Assurance.

Ambac Assurance insured RMBS transactions that contain first-lien mortgages. Ambac Assurance classifies first-lien mortgage borrowers into three broad credit risk classes: prime, mid-prime (including Alt-A) and sub-prime. The most common statistical metric that is used to determine the credit risk of a mortgage borrower is the FICO score (Fair Isaac Credit Organization). FICO credit scores are calculated by using information, which in Fair Isaacs’ view, best predicts future credit performance. Predictive factors in the data have been considered by most market participants to be a reasonable indication of future credit performance. Credit scores analyze a borrower's credit history considering numerous factors such as late payments, the amount of time credit has been established, the amount of credit used versus the amount of credit available, length of time at present residence and negative credit information such as bankruptcies, charge-offs, collections, etc. FICO scores range from 300 to 850. Though there are no industry standard definitions, generally FICO scores are as follows: prime (FICO score over 710), mid-prime (FICO score between 640 and 710) and sub-prime (FICO score below 640).

Prime loans are typically made to borrowers who have a strong credit history and can demonstrate a capacity to repay their loans, sub-prime loans are typically made to borrowers who are perceived as deficient on either or both of these grounds. Compared with prime loans, sub-prime loans typically have higher loan-to-value ratios, reflecting the greater difficulty that sub-prime borrowers have in making down payments and the propensity of these borrowers to extract equity during refinancing. The mid-prime category includes “Alt-A” loans, which typically do not meet standard agency guidelines for documentation requirement, property type or loan-to-value ratio. These are typically higher-balance loans made to borrowers who might have past credit problems that are not severe enough to warrant “sub-prime” classification, or borrowers who chose not to obtain a prime mortgage due to documentation requirements. Additionally, this category includes loans with nontraditional amortization schedules such as interest only or option adjustable rate features.

The following tables provide current gross par outstanding by vintage and type, and underlying credit rating of the Segregated Accounts U.S. sub-prime RMBS book of business:

	Total Gross Par Outstanding At June 30, 2010
Year of Issue ($ in millions)	Sub-prime
1998-2001	$ 750.0
2002	698.0
2003	1,075.4
2004	555.0
2005	1,208.2
2006	900.2
2007	577.0
Total	$5,763.8

Investments in RMBS Securities
The Segregated Account does not hold any investments in sub-prime mortgage loans or securities with underlying sub-prime exposures.

Note 21 - Events Subsequent

a. Pursuant to SSAP 9, Subsequent Events, the date through which subsequent events have been evaluated was August 13, 2010 for the six months ended June 30, 2010, the same date on which the Company's statements are issued. In July 2010, the Segregated Account paid $65 million and issued $50 million of Segregated Account Surplus Notes, in connection with a commutation of an insurance policy allocated to the Segregated Account. This commutation will have no impact on total surplus. On July 16, 2010 Ambac Financial Group, Inc. completed the sale of its advisory services subsidiary, RangeMark Financial Services, Inc. ("RangeMark") and its subsidiaries, including RangeMark Capital Markets, Inc. and RangeMark Investment Management, Inc., to the management of RangeMark. This sale will have no impact on total surplus.

Note 22 - Reinsurance

a. The Company has no unsecured reinsurance balances in excess of 3% of policyholders' surplus with any one reinsurer.

b. The Company has no reinsurance recoverables in dispute.

c. The Company has no unearned premiums or accrued contingent commissions relating to assumed and ceded reinsurance at June 30, 2010. The Company has no protected cells at June 30, 2010.

d. The Company has no uncollectible reinsurance.

e. The Company did not commute any ceded reinsurance during 2010.

f. Pursuant to SSAP 62, the allocation of insurance policies to the Segregated Account as well as the aggregate excess of loss reinsurance agreement has been recorded as retroactive reinsurance since these contracts were executed in connection with a court-ordered rehabilitation of the Ambac Assurance Segregated Account. Accordingly, the net balances due under these obligations are reported in as a net write-in contra-liability.

On March 24, 2010, the Segregated Account assumed liabilities from Ambac Assurance of $3,639,973,059 in return for consideration in the form of a secured note in the amount of $2,000,000,000 resulting in a loss of $1,639,973,059. Pursuant to the aggregate excess of loss reinsurance agreement, the Segregated Account in turn retroceded $1,639,973,059 of these liabilities back to Ambac Assurance, resulting in a net gain of $-0- on the initial allocation of liabilities and retrocession. The liabilities assumed from Ambac Assurance include loss and loss adjustment expense reserves and contingency reserves recorded in accordance with Ambac Assurances policies and accounting practices.

Below is a table reflecting year-to-date retroactive reinsurance activity:

	Retroactive Reinsurance Assumed from Ambac Assurance Corporation	Retroactive Reinsurance Ceded to Ambac Assurance Corporation	Net Retroactive Reinsurance from Ambac Assurance Corporation
Initial Transfer of Retroactive Reinsurance (Liabilities)/Assets	$(3,639,973,059)	$1,639,973,059	$(2,000,000,000)
Current Year Retroactive Reinsurance Changes	(1,039,813,686)	1,035,777,559	(4,036,127)
Retroactive Reinsurance (Liabilities)/Assets as of June 30, 2010	$(4,679,786,745)	$2,675,750,618	$(2,004,036,127)

	Retroactive Reinsurance Assumed From Ambac Assurance Corporation	Retroactive Reinsurance Ceded to Ambac Assurance Corporation	Impact to Surplus
Retroactive Reinsurance (Liabilities)/Assets as of June 30, 2010	$(4,679,786,745)	$2,675,750,618	$(2,004,036,127)
Consideration Received from Ambac Assurance Corporation	2,000,000,000	-	2,000,000,000
Current Year Loss and LAE Payments	(10,086,484)	-	(10,086,484)
Surplus Impact as of June 30, 2010	$(2,689,873,229)	$2,675,750,618	$ (14,122,611)

g. The Company does not utilize the deposit method to account for any of its reinsurance transactions.

Note 23 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

a. The Company does not issue retrospectively rated contracts or contracts subject to redetermination; none of the company's reinsurance contracts are retrospectively rated or subject to redetermination.

Note 24 - Change in Incurred Losses and Loss Adjustment Expenses

The Company has applied retroactive reinsurance accounting guidance contained in SSAP 62R "Property and Casualty Insurance" to account for the allocation of insurance policies to the Segregated Account and retrocession of the liabilities to Ambac Assurance. As such the company has not recorded any loss reserves.

Note 25 - Intercompany Pooling Arrangements

The Company has no intercompany pooling arrangements.

Note 26 - Structured Settlements

The Company has not purchased any annuities in 2010.

Note 27 - Health Care Receivables

The Company does not have any healthcare receivables at June 30, 2010.

Note 28 - Participating Policies

The Company had no participating accident or health contracts during 2010.

Note 29 - Premium Deficiency Reserves

The Company had no premium deficiency reserves during 2010.

Note 30 - High Deductibles

The Company has not recorded any reserve credits during 2010.

Note 31 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

Ambac Assurance generally discounts the liabilities for unpaid losses for financial guaranty claims on a non-tabular basis by application of a discount rate which approximates the average rate of return on admitted assets, in accordance with SSAP 60. Ambac Assurance does not discount unpaid loss expenses. The Wisconsin Insurance Commissioner has directed Ambac Assurance to utilize a prescribed discount rate of 5.10% for the purpose of discounting its June 30, 2010 loss reserves. Retroactive reinsurance reserves established by the Segregated Account are computed considering the discounted reserves of Ambac Assurance. Considering the claims-paying resources of the Segregated Account are reliant on Ambac Assurances's invested assets, such retroactive reinsurance reserves are discounted at Ambac Assurance's discount rate.

Note 32 - Asbestos/Environmental Reserves

The Company has not written any policies which have been identified as having the potential for the existence of a liability due to asbestos or environmental losses.

Note 33 - Subscriber Savings Accounts

The Company is not a reciprocal exchange and, therefore, does not have subscriber savings accounts.

Note 34 - Multiple Peril Crop Insurance

The Company does not write multiple peril crop insurance.

Note 35 - Financial Guaranty Insurance

As noted above in footnote 1.C above, pursuant to SSAP 62, the allocation of financial guaranty insurance policies to the Segregated Account as well retrocessions under the aggregate excess of loss reinsurance agreement have been recorded as retroactive reinsurance since these contracts were executed in connection with a court-ordered rehabilitation of the Ambac Assurance Segregated Account. Accordingly, the net balances due under these obligations are reported in as a net write-in contra-liability.

Pursuant to the Management Services Agreement, Ambac Assurance provides certain management and administrative services to the Segregated Account and the rehabilitator including credit exposure management, risk management, and loss management. The Segregated Account's allocated retroactive reinsurance liability is based on Ambac Assurance's on-going review of the non-derivative financial guarantee credit portfolio. Active surveillance of the insured portfolio enables Ambac Assurance's surveillance group to track credit migration of insured obligations from period to period and update internal classifications and credit ratings for each transaction. Non-adversely classified credits are assigned a Class I or Survey List ("SL") rating while adversely classified credits are assigned a rating of Class IA through Class V. The criteria for an exposure to be assigned an adversely classified credit rating includes the deterioration of an issuer's financial condition, underperformance of the underlying collateral (for collateral dependent transactions such as mortgage-backed securitizations), poor performance by the servicer of the underlying collateral and other adverse economic events or trends. The servicer of the underlying collateral of an insured securitization transaction is a consideration in assessing credit quality because the servicer's performance can directly impact the performance of the related issue. For example, a servicer of a mortgage-backed securitization that does not remain current in its collection loss mitigation efforts could cause an increase in the delinquency and potential default of the underlying obligation. Similarly, loss severities increase when a servicer does not effectively handle loss mitigation activities such as (i) the advancing of delinquent principal and interest and of default related expenses which are deemed to be recoverable by the servicer, (ii) pursuit of loan charge-offs which maximize cash flows from the mortgage loan pool, and (iii) foreclosure and real estate owned disposition strategies and timelines.

One of two approaches is utilized to estimate expected losses to ultimately determine if loss reserves should be established by Ambac Assurance and accordingly a retroactive reinsurance liability in the Segregated Account should be established based on its terms. The first approach is a statistical expected loss approach, which considers the likelihood of all possible outcomes. The statistical expected loss is the product of: (i) the net par outstanding on the credit; (ii) internally developed historical default information (taking into consideration internal ratings and average life of an obligation); (iii) internally developed loss severities; and (iv) a discount factor. The loss severities and default information are based on rating agency information, are specific to each bond type and are established and approved by Ambac's senior management. For certain credit exposures, Ambac's additional monitoring and loss remediation efforts may provide information relevant to adjust this estimate of statistical expected losses. As such, approved loss severities used in estimating the statistical expected losses may be adjusted based on the professional judgment of the surveillance analyst monitoring the credit with the approval of senior management. Analysts may accept the "base case" statistical expected loss as the best estimate of expected loss or determine an adjusted statistical expected loss that better reflects a given transaction's potential severity.

The second approach entails the use of more precise estimates of expected net cash outflows (future claim payments, net of potential recoveries, expected to be paid to the holder of the insured financial obligation). This approach can include the utilization of market accepted software tools to develop net claim payment estimates. Ambac Assurance has utilized such tools for residential mortgage-backed exposures as well as certain other types of exposures. These tools, in conjunction with detailed data of the historical performance of the collateral pools, assist Ambac Assurance in the determination of certain assumptions, such as default and voluntary prepayment rates, which are needed in order to estimate expected future net claim payments

NOTES TO FINANCIAL STATEMENTS

Additional remediation activities applied to adversely classified credits can include various actions by Ambac Assurance. The most common actions include obtaining detailed appraisal information on collateral, more frequent meetings with the issuer's or servicer's management to review operations, financial condition and financial forecasts and more frequent analysis of the issuer's financial statements.

Loss reserves are established by Ambac Assurance for losses on guaranteed obligations that have already defaulted. Retroactive reinsurance liabilities are established based on such loss reserves of Ambac Assurance under the terms as more fully described in Note 10. All credits are assigned risk classifications by the Ambac Assurance Surveillance Group using the following guidelines:

CLASS I – "Fully Performing – Meets Ambac Criteria with Remote Probability of Claim"

Credits that demonstrate adequate security and structural protection with a strong capacity to pay interest, repay principal and perform as underwritten. Factors supporting debt service payment and performance are considered unlikely to change and any such change would not have a negative impact upon the fundamental credit quality.

SURVEY LIST (SL) – "Investigation of Specific Condition or Weakness Underway"
Credits that require additional analysis to determine if adverse classification is warranted. These credits may lack information or demonstrate a weakness but further deterioration is not expected.

CLASS IA – "Potential Problem with Risks to be Dimensioned"

Credits that are fully current and monetary default or claims-payment are not anticipated. The payor's or issuer's financial condition may be deteriorating or the credits may lack adequate collateral. A structured financing may also evidence weakness in its fundamental credit quality as evidenced by its under-performance relative to its modeled projections at underwriting, issues related to the servicer's ability to perform, or questions about the structural integrity of the transaction. While these credits may still retain an investment grade rating, they usually have experienced or are vulnerable to a ratings downgrade. Further investigation is required to dimension and correct any deficiencies. A complete legal review of documents may be required. An action plan should be developed with triggers for future classification changes upward or downward.

CLASS II – "Substandard Requiring Intervention"

Credits whose fundamental credit quality has deteriorated to the point that timely payment of debt service may be jeopardized by adversely developing trends of a financial, economic, structural, managerial or political nature. No claim payment is currently foreseen but the probability of loss or claim payment over the life of the transaction is now existent (10% or greater probability). Class II credits may be borderline or below investment grade (BBB- to B). Prompt and sustained action must be taken to execute a comprehensive loss mitigation plan and correct deficiencies.

CLASS III – "Doubtful with Clear Potential for Loss"

Credits whose fundamental credit quality has deteriorated to the point that timely payment of debt service has been or will be jeopardized by adverse trends of a financial, economic, structural, managerial or political nature which, in the absence of positive change or corrective action, are likely to result in a loss. The probability of monetary default or claims paying over the life of the transaction is 50% or greater. Full exercise of all available remedial actions is required to avert or minimize losses. Class III credits will generally be rated below investment grade (B to CCC).

CLASS IV – "Imminent Default or Defaulted"

Monetary default or claims payment has occurred or is expected imminently. Class IV credits are generally rated D.

CLASS V – "Fully Reserved"

The credit has defaulted and payments have occurred. The claim payments are scheduled and known, and reserves have been established to fully cover such claims.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No [ ]

2.2 If yes, date of change: 6/7/2010..........................

3\. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [X] No [ ]
If yes, complete the Schedule Y-Part 1 - Organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5\. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [X] No [ ] N/A [ ]
If yes, attach an explanation.

Effective March 24, 2010, the Segregated Account entered into a Management Services Agreement (the "Management Services Agreement") and a Cooperation Agreement (the "Cooperation Agreement") with Ambac Assurance. Pursuant to the Management Services Agreement, Ambac Assurance will provide certain management and administrative services to the Segregated Account and the rehabilitator including information technology services, credit exposure management, treasury, accounting, tax, management information, risk management, loss management, internal audit services and business continuity services. Services will be provided at cost, subject to mutual agreement of the Segregated Account and Ambac Assurance. Either party may terminate the Management Services Agreement for cause upon 120 days written notice (or such shorter period as the rehabilitator may determine) and the Segregated Account may terminate without cause at any time upon at least 30 days prior notice.

Pursuant to the Cooperation Agreement, Ambac Assurance and the Segregated Account have agreed to certain matters related to decision-making, information sharing, tax compliance and allocation of expenses (including an agreement by Ambac Assurance to reimburse the Segregated Account for specified expenses to the extent not reimbursed under the Secured Note, subject to the Minimum Surplus Amount). Ambac Assurance has made certain covenants to the Segregated Account, including an agreement to not enter into any transaction involving more than $5 million (or such higher amount as is agreed with the rehabilitator) without the Segregated Account's prior consent (other than policy claim payments made in the ordinary course of business and investments in accordance with Ambac Assurance's investment policy), and providing the Segregated Account with an annual budget and projection for Ambac Assurance and its subsidiaries for the forthcoming fiscal year, as well as quarterly updates thereto. The Cooperation Agreement also addresses Ambac Assurance's rights in the event Ambac Assurance is no longer the management and administrative services provider to the Segregated Account as described above.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

6.4 By what department or departments?

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [ ] No [ ] N/A [X]

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [X]

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

7.2 If yes, give full information:

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [X] No [ ]

8.4 If the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator].

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
Rangemark Capital Markets, Inc.	New York, NY	NO	NO	NO	NO	YES
RangeMark Investment Management, Inc	New York, NY	NO	NO	NO	NO	YES

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

9.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ....

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: $..................................0

13. Amount of real estate and mortgages held in short-term investments: $..................................0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [X] No [ ]

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	$ 0	$ 0
14.22 Preferred Stock	$ 0	$ 0
14.23 Common Stock	$ 0	$ 0
14.24 Short-Term Investments	$ 0	$ 0
14.25 Mortgage Loans on Real Estate	$ 0	$ 0
14.26 All Other	$ 0	$ 1,983,144,446
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$ 0	$ 1,983,144,446
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	$ 0	$ 0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]
If no, attach a description with this statement.

16. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III. Conducting Examinations, F-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ ] No [X]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation.

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [X]

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

17.2 If no, list exceptions:

GENERAL INTERROGATORIES (continued)

PART 2

PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [ ] No [ ] N/A [X]
   If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [ ] No [X]
   If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [ ] No [X]
3.2 If yes, give full and complete information thereto:

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation liabilities tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? Yes [ ] No [X]
4.2 If yes, complete the following schedule:

1	2	3	Total Discount				Discount Taken During Period			
			4	5	6	7	8	9	10	11
Line of Business	Maximum Interest	Disc. Rate	Unpaid Losses	Unpaid LAE	IBNR	Total	Unpaid Losses	Unpaid LAE	IBNR	Total
	....	....	....	....	....	0	....	....	....	0
Total....................................	........XXX...	........XXX........	0	0	0	0	0	0	0	0

5. Operating Percentages:
   5.1 A&H loss percent 0.0 %
   5.2 A&H cost containment percent 0.0 %
   5.3 A&H expense percent excluding cost containment expenses 0.0 %

6.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]
6.2 If yes, please provide the amount of custodial funds held as of the reporting date. 0
6.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]
6.4 If yes, please provide the amount of funds administered as of the reporting date. 0

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (YES or NO)

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

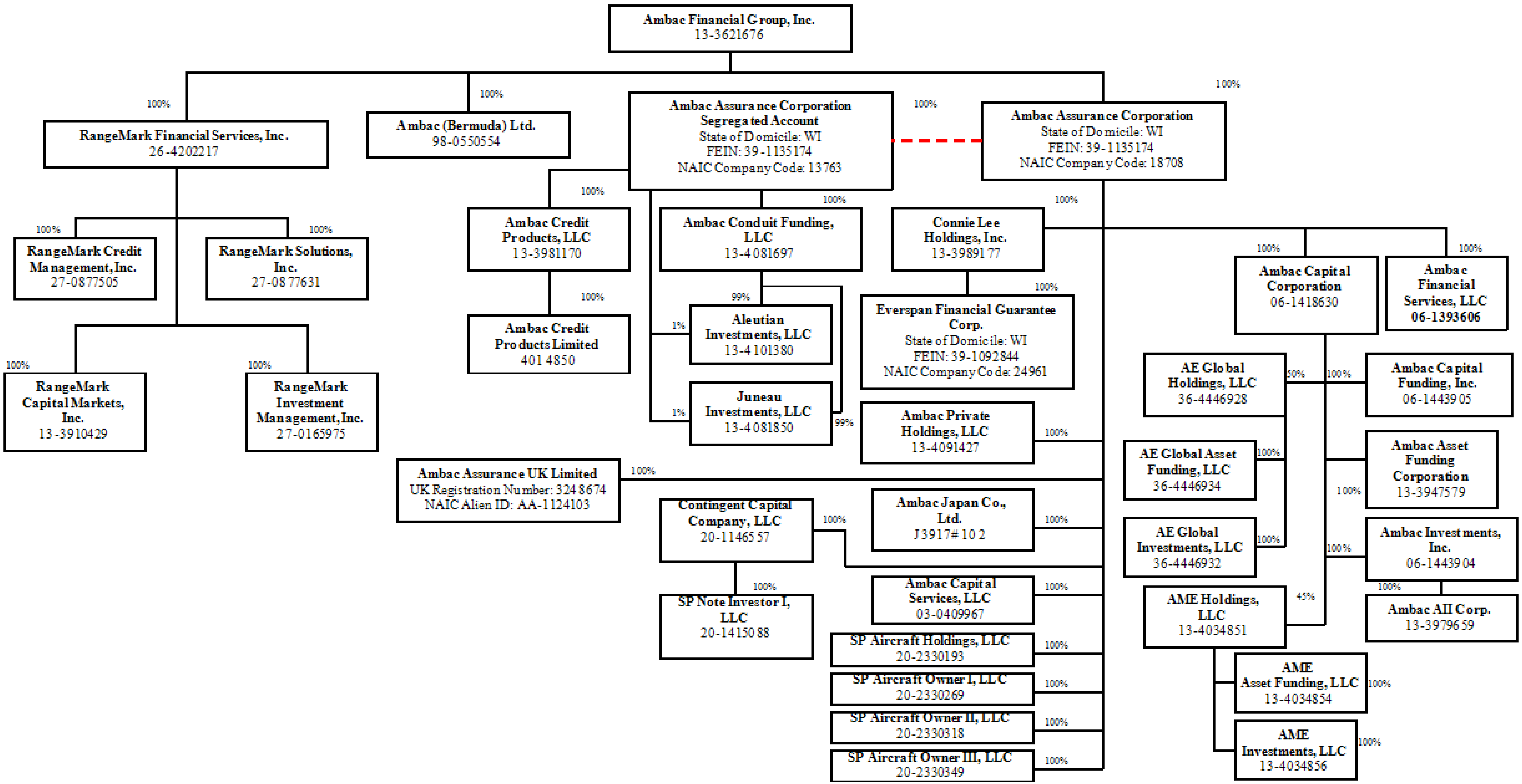
Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
States, Etc.	Active Status	2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
1. Alabama AL	N						
2. Alaska AK	N						
3. Arizona AZ	N						
4. Arkansas AR	N						
5. California CA	N						
6. Colorado CO	N						
7. Connecticut CT	N						
8. Delaware DE	N						
9. District of Columbia DC	N						
10. Florida FL	N						
11. Georgia GA	N						
12. Hawaii HI	N						
13. Idaho ID	N						
14. Illinois IL	N						
15. Indiana IN	N						
16. Iowa IA	N						
17. Kansas KS	N						
18. Kentucky KY	N						
19. Louisiana LA	N						
20. Maine ME	N						
21. Maryland MD	N						
22. Massachusetts MA	N						
23. Michigan MI	N						
24. Minnesota MN	N						
25. Mississippi MS	N						
26. Missouri MO	N						
27. Montana MT	N						
28. Nebraska NE	N						
29. Nevada NV	N						
30. New Hampshire NH	N						
31. New Jersey NJ	N						
32. New Mexico NM	N						
33. New York NY	N						
34. North Carolina NC	N						
35. North Dakota ND	N						
36. Ohio OH	N						
37. Oklahoma OK	N						
38. Oregon OR	N						
39. Pennsylvania PA	N						
40. Rhode Island RI	N						
41. South Carolina SC	N						
42. South Dakota SD	N						
43. Tennessee TN	N						
44. Texas TX	N						
45. Utah UT	N						
46. Vermont VT	N						
47. Virginia VA	N						
48. Washington WA	N						
49. West Virginia WV	N						
50. Wisconsin WI	L						
51. Wyoming WY	N						
52. American Samoa AS	N						
53. Guam GU	N						
54. Puerto Rico PR	N						
55. US Virgin Islands VI	N						
56. Northern Mariana Islands MP	N						
57. Canada CN	N						
58. Aggregate Other Alien OT	XXX	0	0	0	0	0	0
59. Totals	(a) 1	0	0	0	0	0	0
DETAILS OF WRITE-INS							
5801.	XXX						
5802.	XXX						
5803.	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above)	XXX	0	0	0	0	0	0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.
(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART



Q11

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART

Pt 1
NONE

Pt 2
NONE

Pt 3
NONE

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

		Response
1.	Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2.	Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3.	Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO

Explanation:

1.

2.

3.

Bar Code:

* 1 3 7 6 3 2 0 1 0 4 9 0 0 0 0 0 2 *

* 1 3 7 6 3 2 0 1 0 4 5 5 0 0 0 0 2 *

* 1 3 7 6 3 2 0 1 0 3 6 5 0 0 0 0 2 *

Overflow Page for Write-Ins

NONE

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	2,000,000,000	
2.2 Additional investment made after acquisition	20,605,073	
3. Capitalized deferred interest and other	1,972,602	
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals	19,087,802	
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	2,003,489,873	0
12. Deduct total nonadmitted amounts	20,345,427	
13. Statement value at end of current period (Line 11 minus Line 12)	1,983,144,446	0

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	0	
2. Cost of bonds and stocks acquired		
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration for bonds and stocks disposed of		
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	0	0
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	0	0

NONE

Sch. D-Pt 1B
NONE

Sch. DA-Pt 1
NONE

Sch. DA-Verification
NONE

Sch. DB-Pt A-Verification
NONE

Sch. DB-Pt B-Verification
NONE

Sch. DB-Pt C-Sn 1
NONE

Sch. DB-Pt C-Sn 2
NONE

Sch. DB-Verification
NONE

Sch. E-Verification
NONE

Sch. A-Pt 2
NONE

Sch. A-Pt 3
NONE

Sch. B-Pt 2
NONE

Sch. B-Pt 3
NONE

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets ACQUIRED AND ADDITIONS MADE During the Current Quarter

1	2	Location		5	6	7	8	9	10	11	12	13
		3	4									
CUSIP Identification	Name or Description	City	State	Name of Vendor or General Partner	NAIC Desig-nation	Date Originally Acquired	Type and Strategy	Actual Cost at Time of Acquisition	Additional Investment Made After Acquisition	Amount of Encumbrances	Commitment for Additional Investment	Percentage of Ownership
Joint Venture or Partnership Interests That Have Underlying Characteristics of Other - Affiliated												
	Ambac Conduit Funding, LLC	New York	NY	Ambac Assurance Corporation		03/24/2010			1,653,044			100.0
	Juneau Investments, LLC	New York	NY	Ambac Assurance Corporation		03/24/2010			582			1.0
	Aleutian Investments, LLC	New York	NY	Ambac Assurance Corporation		03/24/2010			33,534			1.0
2099999. Total - Joint Venture or Partnership Interests That Have Underlying Characteristics of Other - Affiliated								0	1,687,160	0	0	XXX
4099999. Subtotal - Affiliated								0	1,687,160	0	0	XXX
4199999. Totals								0	1,687,160	0	0	XXX

SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets DISPOSED, Transferred or Repaid During the Current Quarter

1	2	Location		5	6	7	8	Changes in Book/Adjusted Carrying Value						15	16	17	18	19	20
		3	4					9	10	11	12	13	14						
CUSIP Identification	Name or Description	City	State	Name of Purchaser or Nature of Disposal	Date Originally Acquired	Disposal Date	Book/Adjusted Carrying Value Less Encumbrances, Prior Year	Unrealized Valuation Increase (Decrease)	Current Year's (Depreciation) or (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Capitalized Deferred Interest and Other	Total Change in B./A.C.V (9+10-11+12)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value Less Encumbrances on Disposal	Consideration	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Investment Income
Collateral Loans - Affiliated																			
	Secured Note Due from Ambac Assurance Corporation	New York	NY	Ambac Assurance Corporation	03/24/2010	06/30/2010					1,972,602	1,972,602			19,087,802			0	
2499999. Total - Collateral Loans - Affiliated							0	0	0	0	1,972,602	1,972,602	0	0	19,087,802	0	0	0	0
4099999. Subtotal - Affiliated							0	0	0	0	1,972,602	1,972,602	0	0	19,087,802	0	0	0	0
4199999. Totals							0	0	0	0	1,972,602	1,972,602	0	0	19,087,802	0	0	0	0

Sch. D-Pt 3
NONE

Sch. D-Pt 4
NONE

Sch. DB-Pt A-Sn 1
NONE

Sch. DB-Pt A-Sn 1
NONE

Sch. DB-Pt B-Sn 1
NONE

Sch. DB-Pt B-Sn 1
NONE

Sch. DB-Pt B-Sn 1B
NONE

Sch. DB-Pt D
NONE

Sch. E-Pt 1-Cash
NONE

Sch. E-Pt 2-Cash Equivalents
NONE