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**HAND DELIVERED**

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

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

Dear Ms. Baux:

On behalf of the court-appointed Rehabilitator of the Segregated Account of Ambac Assurance Corporation, enclosed for filing is the Notice of Seventh Supplement to Tab 1, Exhibit C of the Verified Petition (Allocation of Certain Student Loan Policies to the Segregated Account Following Assessment Process).

By copy of this letter, counsel of record are being served with this document by email. Please contact me if you have any questions. Thank you.

Very truly yours,

FOLEY & LARDNER LLP

Michael B. Van Sicklen

Enclosure

cc: Honorable William D. Johnston (with enclosure, via hand delivery)  
All Counsel of Record (with enclosure, via email)

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STATE OF WISCONSIN

CIRCUIT COURT

DANE COUNTY

In the Matter of the Rehabilitation of:

Case No. 10 CV 1576

Segregated Account of Ambac Assurance Corporation

**NOTICE OF SEVENTH SUPPLEMENT TO TAB 1, EXHIBIT C  
OF THE VERIFIED PETITION  
(ALLOCATION OF CERTAIN STUDENT LOAN POLICIES TO THE  
SEGREGATED ACCOUNT FOLLOWING ASSESSMENT PROCESS)**

PLEASE TAKE NOTICE that the Commissioner of Insurance of the State of Wisconsin, as court-appointed Rehabilitator of the Segregated Account of Ambac Assurance Corporation, hereby submits, through his undersigned attorneys, the attached supplement to Tab 1, Exhibit C of the Verified Petition for Order of Rehabilitation (the list of policies and/or liabilities allocated to the Segregated Account). This supplement is made to allocate to the Segregated Account certain policies and debt service surety policies (each, a "Policy" and collectively, the "Policies") which guarantee indebtedness or other obligations ("Obligations") and which are collateralized, whether directly or indirectly, by student loan receivables ("Student Loan Receivables") owned by a particular trust (each such trust, an "SL Trust") (initially identified in Tab 1, Exhibit E of the Verified Petition), which the Rehabilitator has determined should be allocated to the Segregated Account following the assessment of such Policies, as contemplated by Section IV of the Plan of Operation for the Segregated Account and paragraph 13 of the Verified Petition.

The process approved by the Rehabilitator for the assessment of the Policies is as follows:

Any Policy insuring Obligations collateralized by Student Loan Receivables owned by an SL Trust which meets any one or more of the following three criteria shall be allocated to the Segregated Account:

1. an SL Trust in which the ratio of total assets to total liabilities (the “parity ratio”) is below 100%;
2. an SL Trust (a) the majority of whose Student Loan Receivables are financed through auction rate securities, variable rate demand obligations or conduit facilities, which in each case, due to the occurrence of certain events, has become, or could become, subject to a significant increase in the interest rate on such securities, obligations or facilities (each, a “high interest rate structure”) and (b) in which the parity ratio is below 115%; or
3. an SL Trust whose Student Loan Receivables are not financed through a high interest rate structure, but in which (a) 100% of the collateral consists of Student Loan Receivables which are not federally guaranteed under the Federal Family Education Loan Program (“Private Loans”) and (b) the parity ratio is below 110%.

The Rehabilitator believes that application of each of the foregoing criteria in the assessment is reasonable for determining which Policies have the potential to suffer losses for the following reasons:

1. Any Policy insuring Obligations collateralized by Student Loan Receivables owned by an SL Trust in which the ratio of total assets to total liabilities is below 100% has the potential to suffer losses because the amount of assets in the SL Trust may be insufficient to cover its liabilities.
2. The interest rate costs associated with the high interest rate structures have caused or may cause the parity ratio in these structures to deteriorate on an accelerated basis due to negative excess spread and/or the use of principal receipts to pay current interest. This risk may be mitigated by an SL Trust that has sufficient overcollateralization to absorb the high interest rate structure. A parity ratio of 115% or above is considered a reasonable level of overcollateralization to mitigate such risk.
3. Recent default data has shown a significant deterioration in the performance of Private Loans generally, exposing an SL Trust whose collateral consists entirely of Private Loans to a greater likelihood of material loss. A SL Trust collateralized by 100% Private Loans but which is not subject to a high interest rate structure may be able to withstand ultimate losses given sufficient overcollateralization and a parity level of 110% or above.

In addition, the undersigned advises the Court that certain other policies which guarantee Obligations collateralized by Student Loan Receivables were allocated to the Segregated Account on March 24, 2010. These policies were identified in Tab 1, Exhibit D of the Verified Petition. Each of these transactions was re-evaluated according to the above assessment criteria, and each met at least one of the assessment criteria. Accordingly, had such policies not previously been allocated to the Segregated Account, such policies would be allocated to the Segregated Account in accordance with the assessment criteria set forth herein.

Dated this 8th day of October, 2010.

FOLEY & LARDNER LLP

By:



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Pursuant to Section IV of the Plan of Operation for the Segregated Account and paragraph 13 of the Verified Petition, certain policies and debt service surety policies which guarantee indebtedness or other obligations which are collateralized, whether directly or indirectly, by student loan receivables (initially identified in Tab 1, Exhibit E of the Verified Petition) may be allocated to the Segregated Account following the completion of an assessment process with respect to such policies. Such assessment process was completed by September 20, 2010. Accordingly, effective immediately, the General Account—with the Rehabilitator’s consent—has allocated the following policies to the Segregated Account, to be added to the list of policies allocated to the Segregated Account appearing in the Verified Petition for Rehabilitation at Tab 1, Exhibit C (as supplemented):

Policy Numbers

- 12815BE
- 13727BE
- 15086BE
- 15301BE
- 15327BE
- 15748BE
- 16176BE
- 16635BE
- 16786BE
- 17206BE
- 17307BE
- 17459BE
- 17523BE
- 17878BE
- 18018BE
- 18052BE
- 18254BE
- 18400BE
- 18515BE
- 19194BE
- 19301BE
- 19389BE
- 19699BE
- 20004BE
- 20625BE
- 20647BE
- 20733BE
- 20898BE
- 21014BE
- 21018BE
- 21077BE
- 21632BE
- 22019BE
- 22110BE
- 22581BE

22734BE  
23243BE  
23295BE  
23539BE  
23838BE  
24135BE  
24223BE  
24612BE  
24624BE  
25332BE  
25425BE  
25534BE  
25535BE  
25621BE  
25844BE  
26053BE  
26437BE  
26620BE  
26621BE  
26622BE  
26702BE  
26849BE  
27243BE  
AB0591BE  
AB0616BE  
AB0632BE  
AB0676BE  
AB0721BE  
AB0770BE  
AB0821BE  
AB0859BE  
AB0900BE  
AB0932BE  
AB0933BE  
AB0987BE  
AB0994BE  
AB1001BE  
AB1004BE  
AB1033BE  
AB1114BE  
AB1115BE  
BE105823  
BE111763  
BE112771  
BE114109  
BE114118  
BE116269  
BE118025

BE123661  
BE123670  
BE124152  
BE127783  
BE132456  
BE302959  
BE303100  
BE303119  
BE303903  
BE303912  
BE303976  
BE530025  
BE533166  
FG0404BE  
SB0807BE  
SB0971BE  
SB1022BE  
SB1093BE  
SB1142BE  
SB1170BE  
SB1208BE  
SB1230BE  
SB1230BE-2004  
SB1252BE  
SB1321BE  
SB1362BE  
SB1398BE  
SB1502BE  
SB1565BE  
SB1593BE  
SB1615BE  
SB1648BE  
SB1808BE  
SB19512BE  
SB2170BE  
SB2303BE  
SB2330BE  
SB2340BE  
SB2572BE  
SF0949BE

Exhibit C to the Plan of Operation for the Segregated Account (the list of policies and/or liabilities allocated to the Segregated Account, attached to the Verified Petition for Order of Rehabilitation at Tab 1) is deemed amended hereby.