

March 15, 2011

Mr. Terry D. Nelson
Foley & Lardner LLP
Verex Plaza
150 East Gilman Street
Madison WI 53703-1481

Re: Request for Opinion No. 2011-003
Request for Exemption Confirmation and/or No-Action Relief for the
Issuance of Surplus Notes by the Segregated Account of Ambac
Assurance Corporation
File No: 2011X00000002

Synopsis: The Office of the Kansas Securities Commissioner will not take enforcement action against the Segregated Account of Ambac Assurance Corporation in connection with the issuance of its Surplus Notes in the State of Kansas in reliance on the transactional exemption provided by K.S.A. 17-12a202(22)(B).

Dear Mr. Nelson:

You have requested an interpretive opinion or no action letter with regard to the applicability of transactional exemption provided by K.S.A. 17-12a202(22)(B), to the surplus notes ("Notes") to be issued by the Segregated Account of Ambac Assurance Corporation (Segregated Account). I incorporate by reference the facts in your letter dated October 29, 2011, as well as supplementary information dated November 9, 2010, November 12, 2010, January 27, 2011, and February 22, 2011.

In short, Ambac Assurance ("Ambac"), a Wisconsin domiciled insurer, through its financial services subsidiaries provided sophisticated financial and investment products, principally to clients of its financial guaranty business. Due to the deterioration of Ambac's financial position, the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") requested the creation of the Segregated Account pursuant to Wis. Stat. § 611.24(2) and Ambac acquiesced on March 24, 2010. Also on March 24, 2010, OCI filed a petition to rehabilitate the Segregated Account. The court appointed the Wisconsin Commissioner of Insurance as the rehabilitator. On October 8, 2010, the

rehabilitator filed a Plan of Rehabilitation (“Plan”) with the court pursuant to Wis. Stat. § 645.33(5). On January 24, 2011, the court issued a Decision and Final Order Confirming the Rehabilitator’s Plan of Rehabilitation, with Findings of Fact and Conclusions of Law.

Additionally, your letter of January 27, 2011 supplements the original request related to the surplus notes to be issued by the Segregated Account, with a request related to a settlement agreement with several parties as holders of Las Vegas Monorail Project Revenue Bonds, 1st Tier Series 2000. We concur with your observation that this proposed issuance of notes does not materially change the facts and circumstances of your original request and this letter applies to the Notes issued pursuant to the settlement agreement as well.

K.S.A. 17-12a202(22)(B) provides a transactional exemption from the registration provisions of the Kansas Uniform Securities Act for transactions involving “an act incident to a judicially approved reorganization in which a security is issued in exchange for one or more outstanding securities, claims, or property interests, or partly in such exchange and partly for cash”. While rehabilitation is not specifically listed as a judicially approved reorganization, the same protections appear to be in place and the Office of the Kansas Securities Commissioner will not attempt to replace the court’s judgment.

On the basis of the facts and representations set forth in your letter and supplementary materials, the staff of the Office of the Kansas Securities Commissioner will not take enforcement action against the Segregated Account, in connection with the offer and sale of surplus notes, including those notes issued pursuant to the settlement agreement detailed in your letter of January 27, 2011, in the State of Kansas in reliance on the transactional exemption provided by K.S.A. 17-12a202(22)(B). In reaching this position, we have noted that:

- 1) the Court conducted a hearing on the basis of the terms and conditions of the Plan;
- 2) the Court approved the fairness of the terms and conditions of the Plan;
- 3) in your opinion as counsel, all prospective recipients of the Notes received notice of the fairness hearing and were to be allowed opportunity to be heard;
- 4) the Rehabilitator advised the court that the court’s confirmation of the Plan would serve as the basis for the issuance of the notes in reliance on the exemption provided by §3(a)(10) of the Securities Act of 1933.

The no-action position provided by this letter is based on the written representations and documentation provided by you on behalf of the Segregated Account and does not extend to any other similar fact situations of other issuers. Any variation in the facts presented to us could result in different conclusions. We also direct your

attention to the anti-fraud provisions of the Kansas Uniform Securities Act and note that responsibility for compliance with these provisions rests with the Segregated Account. This letter is intended solely as an expression of enforcement policy and is not binding upon any court or other tribunal.

Sincerely,



Wiley B. Kannarr
Associate General Counsel