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November 23, 2010

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

VIA REGULAR MAIL

RE: Segregated Account of Ambac Assurance Corporation

Dear Mr. Nelson:

This letter is in response to your letter dated November 2, 2010, and received by this office on November 3, 2010. Your letter was supplemented by a letter dated November 9, 2010 and received by this office on November 10, 2010.

In your letter, you state that you have been authorized by Ambac Assurance Corporation ("Ambac Assurance"), a Wisconsin corporation that is the principal operating insurance company of and wholly-owned by Ambac Financial Group, Inc. ("AFGI") and the Segregated Account of Ambac Assurance (the "Segregated Account"), which was established at the request of the Office of the Commissioner of Insurance of the State of Wisconsin (the "OCl") as part of a plan to rehabilitate the Segregated Account, to make the factual representations set forth in your letter.

You state that in reliance on Section 3(a)(10) of the Securities Act of 1933, you recently applied on behalf of the Segregated Account for a no-action letter from the Securities and Exchange Commission ("SEC") in connection with the Segregated Account's proposed issuance of surplus notes (the "Surplus Notes") to holders of certain rights to payment from the Segregated Account (each, a "Claim") in partial satisfaction of such Claims, without registration of the Surplus Notes or registration of the Segregated Account or its "agents" as a dealer or agents. In your letter, you include a similar request for confirmation of an exemption from securities registration or no-action relief from the staff of the Texas State Securities Board.

In your letter, you describe the events leading up to establishment of the Segregated Account. You represent that Ambac Assurance and its subsidiaries provide financial guarantee products and other financial services to clients around the world in both the

public and private sectors including investment agreements, funding conduits, interest rate swaps, currency swaps and total return swaps. You note that due to losses in its insurance portfolio and resulting downgrades of its financial strength ratings, Ambac Assurance has been able to generate only a de minimis amount of new business since November 2007. You further explain that as a result thereof, the OCI increased its oversight of Ambac Assurance and began to evaluate Ambac Assurance's ability to pay all claims in its insured portfolio. You further explain that Ambac Assurance established the Segregated Account at the request of the OCI which immediately filed a petition seeking to be appointed as the Rehabilitator thereof; said petition having been granted that same day pursuant to a court order of rehabilitation. You represent that the Segregated Account is a separate insurer from Ambac Assurance for purposes of the Rehabilitation, which does not include Ambac Assurance, its general account or AFGI.

You explain that on October 8, 2010, the Rehabilitator filed a plan of rehabilitation (the "Plan") with the court seeking its approval. As part of the Plan, the Rehabilitator is proposing that the Segregated Account issue the Surplus Notes, bearing interest at the rate of 5.1% per annum with a maturity date of June 7, 2020, to holders of Claims in partial satisfaction thereof. You represent that in most instances, such holders are serving as trustees for the beneficial owners of the underlying financial instrument(s) insured by the Ambac Assurance insurance policy and that the trustee will deliver the Surplus Notes to the custodians holding positions on behalf of the beneficial owners. The custodians will then deliver them to the beneficial owners, which the Rehabilitator envisions will be the ultimate holders of the Surplus Notes. You note that while the identity or number of beneficial owners cannot be determined, it is believed that most will be "Qualified Institutional Buyers" as defined by Rule 144A of the Securities Act of 1933. You further explain that the Surplus Notes, which will be subordinated obligations for which no payment of principal or interest may be made without the prior written approval of the OCI, will be transferable by the beneficial owners as long as the transfer is made in compliance with applicable securities laws.

Based on the information you provided, the Segregated Account's issuance of the Surplus Notes is subject to the entry of a court order, after proper notice and hearing, confirming the Plan and approving the procedural and substantive fairness of the terms and conditions thereof, and the Rehabilitator's receipt of a no-action letter from the SEC.

Based on the foregoing understanding, it appears that the exemption provided by Section 5.F is available to the proposed activities of the Segregated Account in issuing the Surplus Notes pursuant to the court-approved rehabilitation plan. In addition, it appears that the Segregated Account, the issuer of the Surplus Notes, is excepted from the definition of "dealer" to the extent that the exemption under Section 5.F is available for the issuance of the Surplus Notes.

Please note that this agency has not made an independent investigation of the facts, but has relied solely upon the information you have provided. If this information is incorrect or changes substantially, the staff would reconsider the matter and the opinion stated above would be void.

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Further, the exemption in question is statutory. This agency does not grant or confer exemptions. The availability depends entirely upon full compliance with the language of the exemption. If a dispute arises as to availability of an exemption, the burden of proof falls upon the party claiming the exemption.

Finally, opinions expressed by this Agency are not binding upon civil litigants in future proceedings.

I trust this information answers your inquiry. Please feel free to write to us if you need further information.

Very truly yours,

DENISE VOIGT CRAWFORD
Securities Commissioner

A handwritten signature in black ink, appearing to read "Kara Kennedy", written over a printed name.

Kara L. Kennedy
General Counsel

KLK/