



Dora
Department of Regulatory Agencies

Division of Securities
Fred J. Joseph
Securities Commissioner

Bill Ritter, Jr.
Governor

Barbara J. Kelley
Executive
Director

December 7, 2010

Terry D. Nelson, Esq.
Foley & Lardner LLP
150 East Gilman Street
Madison, WI 53701-1497

**Re: Issuance of Surplus Notes by the Segregated Account of Ambac
Assurance Corporation
Our File No. A-011-005**

Dear Mr. Nelson:

We are in receipt of your letter dated November 2, 2010, with enclosures, and your Supplement Letter dated November 9, 2010, in connection with the above referenced matter. On behalf of the Segregated Account Ambac Assurance Corporation (the "Segregated Account"), you have requested the position of the staff of the Colorado Division of Securities ("Staff") regarding the proposed issuance of Surplus Notes by the Segregated Account. You specifically request, in connection with such issuance, that the Staff confirm an exemption from the securities registration and broker-dealer and/or sales representative registration and licensing provisions under the Colorado Securities Act (the "Act"). Alternatively, you request the Staff issue a no-action position relative to these issues.

Based on the facts in your letter, we understand the following:

1. That the Court will conduct a hearing on the fairness of the terms and conditions of the Plan of Rehabilitation, including the issuance of the Surplus Notes, to holders of Claims.
2. The Court will approve the fairness of the terms and conditions of the Plan of Rehabilitation, including the issuance of the Surplus Notes, to holders of Claims before the Segregated Account issues Surplus Notes pursuant to the Plan of Rehabilitation.



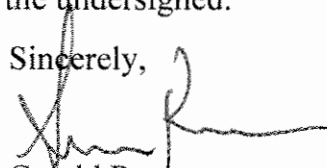
3. In your opinion as counsel, all prospective recipients of Surplus Notes under the Plan of Rehabilitation have received notice of the hearing regarding the Plan of Rehabilitation and will have the opportunity to be heard at the hearing, with no improper impediments.
4. The Rehabilitator will advise the Court before the hearing that, if the Court approves the terms and conditions of the Plan of Rehabilitation, its confirmation of the Plan of Rehabilitation will constitute the basis for issuance of the Surplus Notes under the Plan of Rehabilitation without registration under the Act, in reliance on the exemption from registration provided by Rule 51-3.12 under the Act.
5. You have represented that the recent events discussed in Section III of your letter will have no effect on the issuance of Surplus Notes or the amount or percentage of cash and Surplus Notes to be paid pursuant to the Plan of Rehabilitation.
6. You have represented that no commission or remuneration will be paid or given, directly or indirectly, to any person in connection with the solicitation of Claim holders or the issuance of the Surplus Notes to the Claim holders.

While the Staff cannot confirm the availability of an exemption from the registration provisions of the Act under Rule 51-3.12, and exemption from the broker-dealer and sales representative licensing provisions of the Act found at §§ 11-51-201(2)(B) and 401, C.R.S., in light of the facts represented, the Staff will not recommend that formal enforcement proceeding be initiated for the issuance of the Surplus Notes in Colorado. Further, the Staff will not recommend that formal enforcement proceedings be initiated against the Segregated Account and its officers, directors, employees or agents for violation of the broker-dealer or sales representative licensing provisions of the Act relative to the Issuance.

It should be noted that by this letter, the Staff only expresses its position as to the recommendation of formal enforcement proceedings under the Act and does not purport to express any formal opinion or conclusion. Also, it should be noted that the position taken is done so based on the facts and representations in your letter and the attached documents. Any change in those facts or circumstances described might require a different response.

If there are any questions, please contact the undersigned.

Sincerely,



Gerald Rome

Deputy Securities Commissioner