

**Ambac**

Successful Guaranteed Note Issue Signals Improving Climate for Aircraft Lease Finance

\$100,000,000

Lift A1/A2 Note Secondary Repack
Pooled Aircraft Bonds

Virtually all business and financial sectors affiliated with the airline industry were negatively affected by the events of September 11, 2001. Aircraft leasing, and the financing activity associated with it, was no exception. However, in late 2004, the global aircraft leasing market started to benefit from higher demand and more robust activity throughout the sector.

In May 2005, Ambac and United Capital Markets (UCM) teamed up to structure a unique aircraft financing that, with Ambac's wrap, would provide investors with a rare opportunity to buy triple-A rated pooled aircraft bonds, while adding liquidity to the market at the same time. The financing, UCAT 2005-1, was structured to repackage \$145 million of notes from two senior tranches originally issued by Lease Investment Flight Trust (LIFT) in 2001. UCM provided the underlying pooled aircraft bonds and restructured the cash distribution into senior and junior tranches. Ambac insured the repackaged \$100 million senior tranche, and UCM sold the bonds into the market. The senior repackaged notes benefit from a unique feature of the deal: cash flow servicing the junior portion of the repackaged note will be redirected and used to amortize the senior repackaged notes on an accelerated basis — in essence, creating an amortizing note with immediate principal repayment. The transaction represents the first triple-A-rated airline lease finance notes to come to market without principle defeasance from other bonds or financial instruments.

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