

STRICTLY PRIVATE & CONFIDENTIAL
SUBJECT TO AAC BOARD APPROVAL AND APPROVAL OF THE WISCONSIN OFFICE OF THE COMMISSIONER OF INSURANCE
SUBJECT TO FRE 408 AND ALL EQUIVALENT STATE PROVISIONS

EJF Capital, CarVal Investors, GoldenTree Asset Management, PlusTick Management LLC, New Generation Advisors, IBS Capital and Ambac Assurance Corporation Term Sheet¹

This summary term sheet is not complete and all-inclusive of the terms of the proposed transaction and does not create, and is not intended to create, a binding or enforceable contract between the parties or any duty on any person to negotiate towards a binding contract. This term sheet may not be relied upon by any person as the basis for a contract by estoppel or otherwise.

6/21/2018 Proposed Terms	
Issuer:	Ambac Assurance Corporation (“AAC”)
Exchange Holders(s):	One or more affiliates of EJF Capital LLC (“EJF”), and others TBD
Securities Offered in Exchange:	At least [80%] of the outstanding AAC AMPS must be exchanged as a condition to closing ²
Securities Received in Exchange:	For each \$1,000 of liquidation preference of AMPS purchased: <ul style="list-style-type: none"> • \$20.00 in cash compensation (to be paid by Ambac Financial Group (“AFG”)) • \$555.0 in fully accreted face value of AAC Senior Surplus Notes due 2020³ (to be delivered by AAC), plus accrued interest thereon from the day following the signing date through the day immediately prior to the closing date • \$14.147 in warrants in AFG common equity (1.49230 warrants for each \$1,000 of liquidation preference) (NASDAQ: AMBCW)⁴
Exchange Format:	144A – private exchange
Senior Surplus Notes:	The Company’s outstanding 5.1% surplus notes due 2020 (the “Senior Surplus Notes”) (CUSIP 023138AA8)
Closing Date:	The closing date for the Purchases (the “Closing Date”) will be promptly after the waiver by the Company and AFG or satisfaction of all conditions precedent. It is expected that the Closing Date will be the [business day] immediately following such satisfaction or waiver of all conditions precedent.
Additional Conditions to Closing:	Subject to (i) required board and regulatory approvals, (ii) receipt of tax and other opinions satisfactory to Ambac, (iii) vote of requisite holders of AMPS to approve the transaction and amend terms of any remaining outstanding AMPS as determined by AAC which amendment shall be conditioned on closing and (iv) EJF has entered into an agreement with [IBS and New Generation] pursuant to which it will sell any and all warrants received in the transactions to [IBS and New Generation] on the closing date.
Additional Disclosure:	Each Holder shall support and cast all votes held by the Holder in favor of the following amendment to the Company’s Articles of Incorporation: deleting the clause that provided holders of AMPS the right to elect AAC directors in certain circumstances
Tender Offer Timing:	Tender offer on substantially similar terms (except that no warrants will be offered) to remaining holders of AMPS to be completed by December 31, 2018.
Offer Drop Dead Date:	See NDA

¹ This non-binding term sheet is governed by Rule 408 of the Federal Rules of Evidence and any and all similar and applicable rules and statutory provisions governing the non-admissibility of settlement discussion. The proposed terms and conditions set forth herein are intended merely as an outline of certain material terms of a potential compromise and settlement and are provided for discussion purposes only and do not constitute or create an offer, agreement, obligation or commitment of any kind by or on behalf of any party. Any such offer, agreement, obligation, or commitment will be created only by definitive agreements. In addition, the agreement of Ambac remains subject to, among other things, AAC board approval and regulatory approval

² IBS Capital and New Generation Advisors have commit to voting 100% of their aggregate ownership of outstanding AMPS in support of an agreement. IBS Capital and New Generation Advisors further commit to exchanging at least 25% of their aggregate ownership of outstanding AMPS and up to 55% in order to meet the [80%] closing condition

³ Principal and interest through the signing date on existing 5.1% AAC Senior Surplus Notes due 2020 (CUSIP: 023138AA8).

⁴ Based on an assumed value of \$9.48 and a maximum number of warrants to be issued is 985,331 assuming 100% participation.