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**Note: Estimated payments assuming a transaction close on 12/31/2017 (9/30/2017 DPO Record Date). All amounts referenced are current estimates and are subject to change pending the actual timing of transaction close and a final reconciliation of Policy Claims and Deferred Amounts**

# *Ambac*

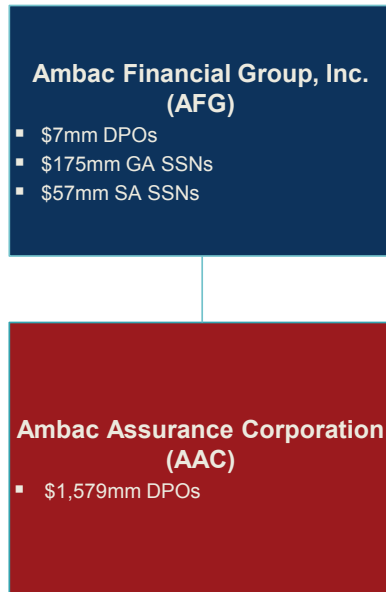
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## TRANSACTION MECHANICS

SEPTEMBER 2017

EXHIBIT A
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## ILLUSTRATIVE STRAWMAN CURRENT STRUCTURE (ESTIMATED AS OF DECEMBER 31, 2017)



### Third Party Creditors

#### Original DPO Holders

- \$2,253mm DPOs

#### Sponsoring GA SSN Holders<sup>1</sup>

- \$551mm GA SSNs

#### Non-Sponsoring GA SSN Holders

- \$548mm GA SSNs

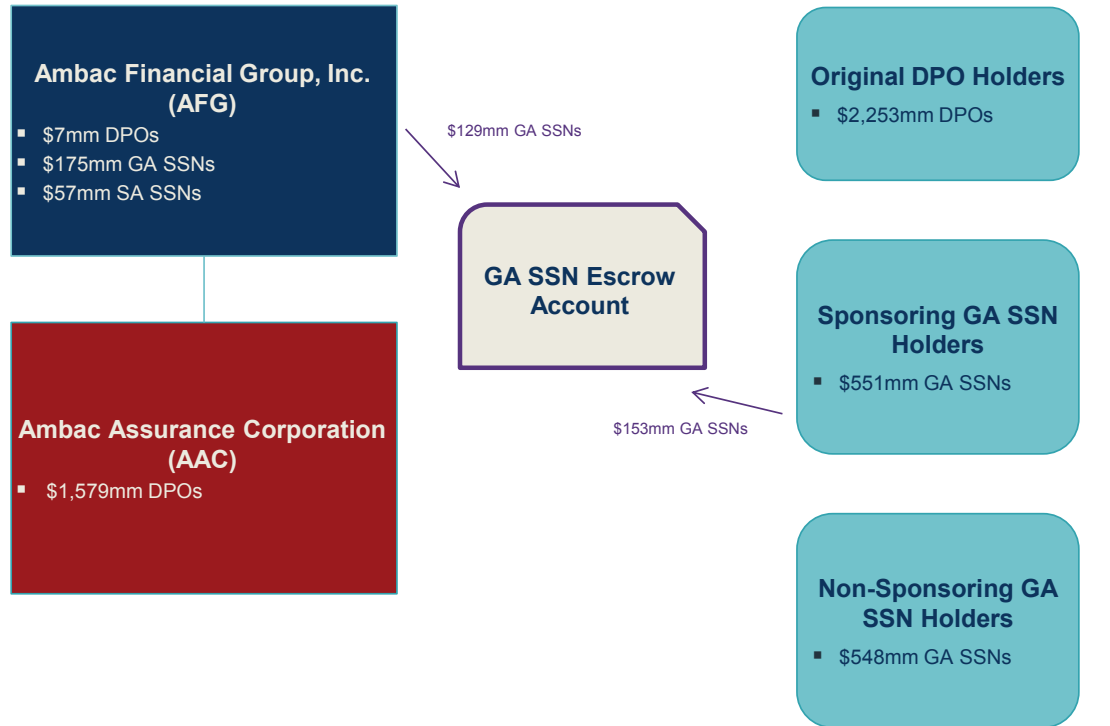
Note: All figures in this illustrative strawman are based on estimated December 31, 2017 amounts outstanding (but without reflecting the transfers into the GA SSN Escrow Account, as described on the following page) and are subject to change, including for changes in DPO amounts and actual timing of transaction closing. Strawman assumes 100% participation of all GA SSN Holders. Assumes 9/30/2017 Record Date for DPOs

1. "Sponsoring GA SSN Holders" are the subset of GA SSN Holders who will both (i) execute the Restructuring Support Agreement and (ii) transfer a portion of their GA SSNs into the GA SSN Escrow Account, as described on the following page. For illustrative purposes, Sponsoring GA SSN Holders are assumed to hold \$551mm GA SSNs, consistent with holdings represented by the AHG to Ambac by AHG Advisors. Holdings have been accreted forward to 12/31/2017

## ILLUSTRATIVE STRAWMAN DEPOSIT OF REMAINING GA SSNS INTO ESCROW ACCOUNT

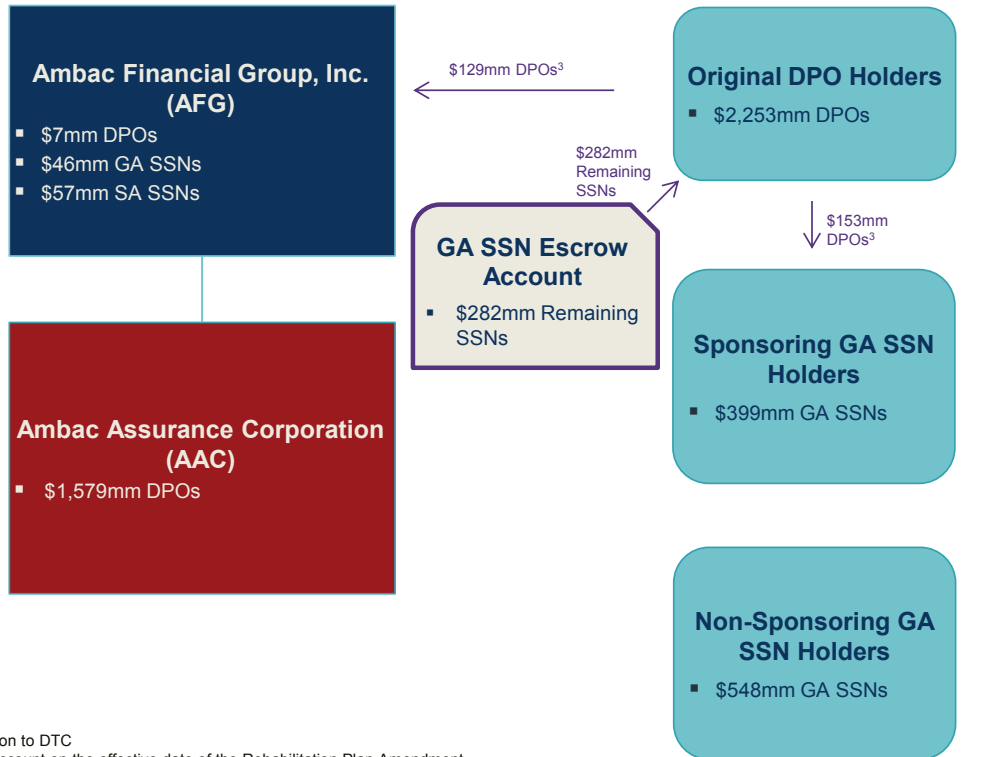
### 0 AFG and the Sponsoring GA SSN Holders Transfer GA SSNs into Escrow Account

- Sponsoring GA SSN Holders transfer GA SSNs having an aggregate amount (par + accretion) equal to \$153 million into a new escrow account (the "GA SSN Escrow Account") on a pro rata basis
- AFG transfers \$129mm in GA SSNs into the GA SSN Escrow Account
- The GA SSN Escrow Account would end up with an aggregate of \$282mm in GA SSNs, referred to as "Remaining SSNs"
- Establishment of, and deposits into, the GA SSN Escrow Account would occur on or prior to the 15th business day preceding the scheduled expiration of the exchange offers



# ILLUSTRATIVE STRAWMAN TRANSACTION STEPS – EXCHANGE WITH DPO HOLDERS

- 1 AFG and the Sponsoring GA SSN Holders Exchange with Original DPO Holders on Pro Rata Basis**
- AFG and the Sponsoring GA SSN Holders transfer<sup>2</sup> \$282mm Remaining SSNs to Original DPO Holders in exchange for \$282mm DPOs
  - Happens pursuant to Rehabilitation Plan Amendment
  - None of the DPOs held by AAC (including the DPOs to be transferred to Sponsoring GA SSN Holders in Step 2 on next slide) or AFG would receive any Remaining SSNs<sup>1</sup>



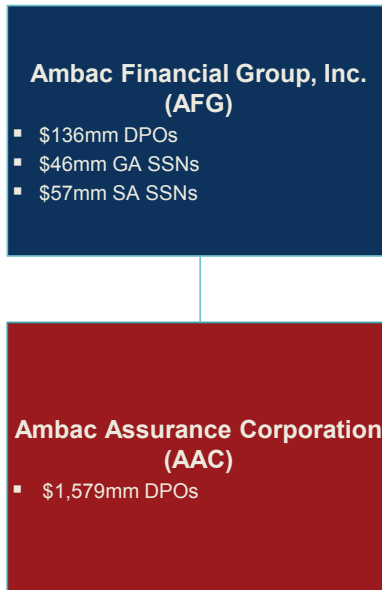
Note: Mechanics remain under review and subject to validation

1. This will be effected by means of AAC and AFG giving direction to DTC
2. By means of automatic transfer out of the GA SSN Escrow Account on the effective date of the Rehabilitation Plan Amendment
3. The DPOs in this step will be transferred by means of the Plan Amendment (rather than by means of a transfer of "claim bonds" as in Step 2), and the Segregated Account and trustees shall be directed to update their books and records accordingly

## ILLUSTRATIVE STRAWMAN TRANSACTION STEPS – AAC EXCHANGE WITH SPONSORING GA SSN HOLDERS

### 2 AAC Exchanges DPOs with Sponsoring GA Senior Surplus Note Holders

- AAC exchanges \$197mm DPOs for \$197mm GA SSNs with Sponsoring GA SSN Holders on a pro rata basis
- Once received by AAC, these GA SSNs will also be referred to as Remaining SSNs
- The DPOs would be transferred by means of AAC transferring RMBS “claim bonds” having no remaining assets other than DPOs aggregating \$197mm
- Happens pursuant to voluntary exchange offer to be closed concurrently with effectiveness of the Rehabilitation Plan Amendment
- All Sponsoring GA SSN Holders are obligated to participate in this exchange offer (as well as the exchange offer in Step 3B) pursuant to the RSA



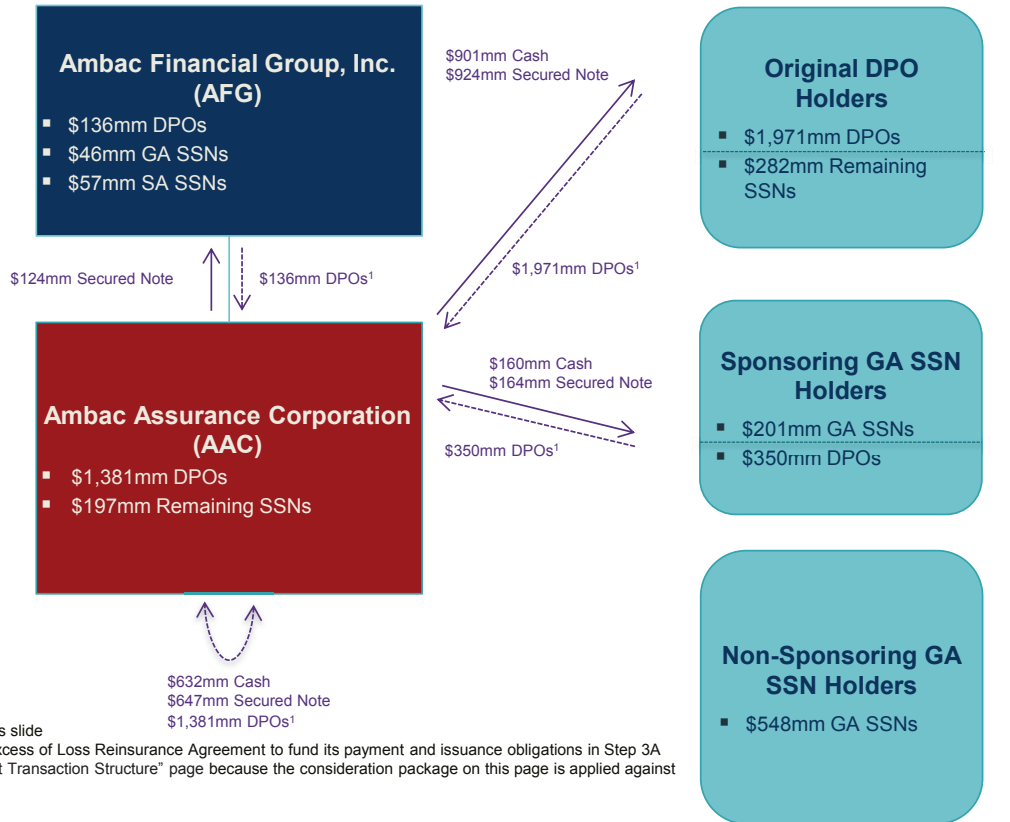
### Third Party Creditors



# ILLUSTRATIVE STRAWMAN TRANSACTION STEPS – SATISFACTION AND DISCHARGE OF DPOS

### 3A Segregated Account Satisfies all DPO Holders<sup>2</sup>

- For every dollar of DPO owned, all holders (other than AFG, but including AAC) receive a package of \$0.46 cash, \$0.47 Secured Note and take a discount of \$0.07, with the discount being applied against accretion amounts<sup>3</sup>
- For every dollar of DPO owned, AFG receives \$0.91 Secured Note and takes a discount of \$0.09, with the discount being applied against accretion amounts<sup>3</sup>
- Happens pursuant to Rehabilitation Plan Amendment



## ILLUSTRATIVE STRAWMAN TRANSACTION STEPS – PARALLEL EXCHANGE OFFERS FOR GA SSNS

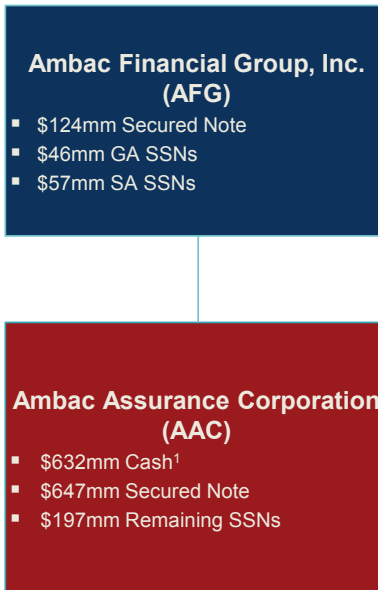
### 3B AAC Purchases 65.7% of Accreted Value of GA SSNs Held by Sponsoring GA SSN Holders<sup>2</sup>

- With respect to 65.7% of GA SSNs held by Sponsoring GA SSN Holders, such holder receives a package of \$0.46 cash, \$0.47 Secured Note and takes a discount of \$0.07 for every dollar of accreted value of those GA SSNs exchanged; the remaining 34.3% of GA SSNs held by each original holder remains outstanding<sup>3</sup>
- Happens pursuant to voluntary exchange offer to be closed concurrently with effectiveness of the Rehabilitation Plan Amendment

### 3C AAC Purchases 87.5% of Accreted Value of GA SSNs Held by Non-Sponsoring GA SSN Holders<sup>2</sup>

- With respect to 87.5% of GA SSNs held by Non-Sponsoring GA SSN Holders, such holder receives a package of \$0.46 cash, \$0.47 Secured Note and takes a discount of \$0.07 for every dollar of accreted value of those GA SSNs exchanged; the remaining 12.5% of GA SSNs held by each original holder remains outstanding<sup>3</sup>
- Happens pursuant to voluntary exchange offer to be closed concurrently with effectiveness of the Rehabilitation Plan Amendment

- 4 The GA SSNs (including the Remaining SSNs) that remain outstanding are referred to as the Remaining SSNs. The SA SSNs that remain outstanding are, following the exit from Rehabilitation, assumed by way of succession by AAC and become part of the Remaining SSNs. AAC retires all GA SSNs other than the Remaining SSNs



### Third Party Creditors

#### Original DPO Holders

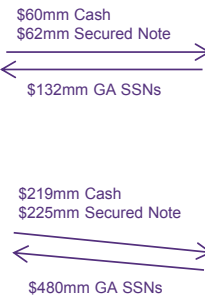
- \$901mm Cash
- \$924mm Secured Notes
- \$282mm Remaining SSNs

#### Sponsoring GA SSN Holders

- \$160mm Cash
- \$164mm Secured Notes
- \$201mm GA SSNs

#### Non-Sponsoring GA SSN Holders

- \$548mm GA SSNs

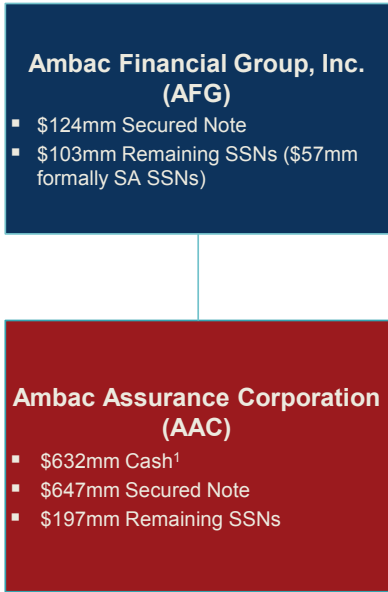


Note: Totals may not sum to 100% due to rounding

- Only includes gross cash received as consideration for DPO satisfaction in Step 3A
- Trustee process mechanics are currently still being refined
- Package differs from overall consideration package shown on next page because it is applied against holdings net of the Remaining SSN component already held by GA SSN Holders

## ILLUSTRATIVE STRAWMAN POST TRANSACTION STRUCTURE

- **Effective Exchange Package for DPO Holders and All GA SSN Holders (other than AFG):**
  - 40.0% Cash
  - 41.0% Secured Notes
  - 12.5% Remaining SSNs
  - 6.5% Discount (primarily against accretion amounts)



### Third Party Creditors

**Original DPO Holders**

- \$901mm Cash
- \$924mm Secured Note
- \$282mm Remaining SSNs

**Sponsoring GA SSN Holders**

- \$221mm Cash
- \$226mm Secured Note
- \$69mm Remaining SSNs

**Non-Sponsoring GA SSN Holders**

- \$219mm Cash
- \$225mm Secured Note
- \$69mm Remaining SSNs

1. Only includes gross cash received as consideration for DPO satisfaction in Step 3A