

In the Matter of the Rehabilitation of:

Case No. 10-CV-1576

Segregated Account of Ambac Assurance Corporation

AFFIDAVIT OF BRIAN D. PFEIFFER

STATE OF FLORIDA)
) ss
MIAMI-DADE COUNTY)

Brian D. Pfeiffer, duly sworn and on oath, and under penalty of perjury, states as follows:

1. I am a partner in the law firm of White & Case LLP practicing out of its New York office, and a resident of the State of Florida. I am authorized to execute this Affidavit on behalf of certain holders of surplus notes (the “Surplus Notes”) issued by the General Account of Ambac Assurance Corporation (“AAC”) and/or beneficial interests in deferred amounts (“DPOs”) who are parties to that certain Rehabilitation Exit Support Agreement, dated as of July 19, 2017 (as amended, the “RESA”).¹ I have personal knowledge of the testimony herein except as noted otherwise.

2. Since early 2017, I have served as legal counsel to an ad hoc group of holders of Surplus Notes and DPOs (the “Initial Holders”) in connection with their discussions with Ambac Assurance Corporation (“AAC”) and Ambac Financial Group, Inc. (“AFG”) with respect to potential transactions that would result in, among other things, an exchange of consideration in satisfaction of the DPOs; such a transaction is intended to allow for an exit of the Segregated

¹ Any capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the RESA or, where applicable, the proposed Second Amended Plan of Rehabilitation.

Account from the Rehabilitation Proceeding. The Initial Holders consist of: (i) Canyon Capital Advisors LLC; (ii) CarVal Investors, LLC; (iii) Centerbridge Partners, L.P.; (iv) Davidson Kempner Capital Management LP; and (v) EJV Capital LLC, each for its participating funds and managed accounts.²

3. Together with AAC and AFG, the Initial Holders executed the RESA, effective as of July 19, 2017. According to information I received from the Initial Holders, as of June 30, 2017, the Initial Holders were the beneficial holders of, in the aggregate, approximately 39% of the outstanding DPOs and 50% of the outstanding principal amount of Surplus Notes.

4. Pursuant to Section 6 of the RESA, any purchaser of Surplus Notes or DPOs from an Initial Holder is required to execute a joinder agreement (a “Joinder”), which provides that such purchaser is bound by all the terms of the RESA with respect to such purchased Surplus Notes or DPOs. Subsequent to the execution of the RESA by the Initial Holders, the following entities executed Joinders (the “Additional Holders”, and together with the Initial Holders, the “Holders”): (i) 400 Capital Management LLC, on behalf of its participating funds and managed accounts; (ii) ABI – HoldCo1 LLC, on behalf of its participating funds and managed accounts; (iii) BlueCrest Capital Management (New York) LP, on behalf of its participating funds and managed accounts; (iv) Fifth Street Station LLC, on behalf of its participating funds and managed accounts; (v) Intermarket Corporation, on behalf of its participating funds and managed accounts; (vi) J.P. Morgan Securities LLC, with respect to only its North America Non-Agency Trading Desk, acting as a Qualified Marketmaker; (vii) Legg Mason Alternative Funds ICAV Permal Alternative Income Strategy; (viii) Marble Ridge Capital, on behalf of its participating funds and managed accounts; (ix) Moore Capital Management, on behalf of its participating

² In addition to the funds listed above, Axonic Master Credit Opportunities Fund, LP (“Axonic”) also executed the RESA as an Initial Holder. I did not serve as legal counsel to Axonic.

funds and managed accounts; and (x) Vertex One Asset Management Inc., on behalf of Vertex Enhanced Income Fund (YVRF 4001002) and Vertex Strategic Income Fund (YVRF 3001002).

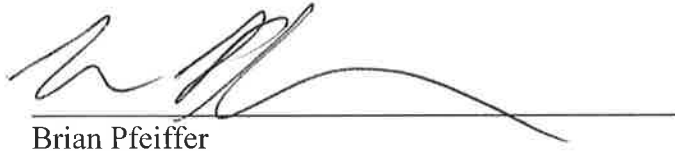
5. The RESA and attached exhibits represent the culmination of negotiations between the Initial Holders, AAC and AFG relating to Rehabilitation Exit Transactions (also referred to as the “Consensual Transaction”) that provides for, among other things:

- Amendments to the existing Amended Plan of Rehabilitation to provide for, among other things, the satisfaction and discharge in full of all DPOs in exchange for the consideration described therein;
- The exit of the Segregated Account’s from Rehabilitation and conclusion of Rehabilitation Proceeding;
- The merger of the Segregated Account back into AAC; and
- The payment of all future claims in full in cash on a go-forward basis.

6. The Holders believe that the Rehabilitation Exit Transactions detailed in the Second Amended Plan of Rehabilitation and other Transaction Documents represent a fair compromise for the Ambac Parties and Holders alike. In that regard, the Holders support the proposed amendment of the Plan and consummation of the Rehabilitation Exit Transactions in accordance with the terms of the RESA.

7. Following the execution of the RESA, the parties worked to draft and negotiate certain Definitive Documents that reflect the agreements set forth in the RESA. A list of such Definitive Documents is set forth on Exhibit A hereto. As of the date hereof, each of the Holders, AFG and AAC have confirmed, in accordance with Section 3(b) of the RESA, that the forms of the Definitive Documents are satisfactory. Moreover, the Transaction Documents listed in Exhibit B hereto, have been reviewed by the Holders, and are understood by the Holders to accurately reflect the substance of the Definitive Documents listed in Exhibit A and the applicable transactions contemplated by the RESA, subject to completion prior to finalization.

8. Pursuant to Section 3.1 of the Amendment to the RESA, dated as of September 20, 2017, by and among AAC, AFG and the Holders, I am authorized to submit this Affidavit on behalf of the Holders and express their support for and intent to carry out the Consensual Transaction in accordance with the terms of the Support Agreement.


Brian Pfeiffer

Subscribed and sworn to before me this
21st day of SEPTEMBER, 2017.


Pamela M. Roig

Notary Public, MIAMI DADE County,
FLORIDA
My Commission



EXHIBIT A

Definitive Documents

1. Plan Amendment;
2. Disclosure Statement;
3. Amended Payment Guidelines;
4. Indenture for Secured Notes;
5. SPV Security Agreement for Secured Notes;
6. Company Pledge Agreement for Secured Notes;
7. Note issued by the Company to the SPV; and
8. Secured Notes Insurance Policy issued by the Company.

EXHIBIT B

Transaction Documents

1. Confidential Offering Memorandum and Consent Solicitation Statement;
2. Letter of Transmittal and Consent; and
3. Holder Eligibility Letter.