



June 14, 2012

Rehabilitation Court Approves IRS Offer

NEW YORK--(BUSINESS WIRE)--Jun. 14, 2012-- **Ambac Assurance Corporation** ("Ambac Assurance") today announced that, following a hearing held on June 13, 2012, the Circuit Court for Dane County, Wisconsin (the "Rehabilitation Court") approved a motion submitted by the Wisconsin Commissioner of Insurance ("OCI"), acting as the Rehabilitator of the Segregated Account of Ambac Assurance (the "Segregated Account") relating to a potential settlement on terms set forth in an offer made to the United States on behalf of the Internal Revenue Service ("IRS") with respect to pending disputes over the tax treatment of credit default swap contracts and related matters ("Offer"). The Offer was jointly made by the Rehabilitator, OCI, Ambac Assurance, Ambac Financial Group, Inc. ("Ambac") and the Official Committee of Unsecured Creditors of Ambac on February 24, 2012. The settlement contemplated by the Offer would resolve all related litigation with the IRS, eliminating uncertainty on several tax issues important to the rehabilitation, and allow Ambac to satisfy one of the conditions required for the consummation of Ambac's Fifth Amended Plan of Reorganization. The Offer remains subject to the evaluation and acceptance by the United States.

Ambac Assurance

Ambac Assurance is a guarantor of public finance and structured finance obligations, and is the principal operating subsidiary of Ambac.

Ambac, headquartered in New York City, is a holding company whose affiliates provided financial guarantees and financial services to clients in both the public and private sectors around the world. On November 8, 2010, Ambac filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York ("Bankruptcy Court"). The Bankruptcy Court entered an order confirming Ambac's plan of reorganization on March 14, 2012. Ambac is not currently able to estimate when it will be able to consummate such plan. Upon consummation of the plan of reorganization, Ambac's existing common stock will be cancelled and extinguished and the holders thereof will not be entitled to receive, and will not retain, any property or interest on account of such common stock. Until the plan of reorganization is consummated and Ambac emerges from bankruptcy, Ambac will continue to operate in the ordinary course of business as "debtor-in-possession" in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. Ambac's common stock trades in the over-the-counter market under ticker symbol ABKFQ.

Source: Ambac Assurance Corporation

Ambac Assurance Corporation
Michael Fitzgerald, 212-208-3222
mfitzgerald@ambac.com