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Ambac Files Lawsuit Against Puerto Rico's Illegal Clawbacks

NEW YORK, Jan. 07, 2016 (GLOBE NEWSWIRE) -- Ambac Financial Group, Inc. (Nasdaq:AMBC) ("Ambac"), a holding company whose subsidiaries, including Ambac Assurance Corporation ("Ambac Assurance"), provide financial guarantees and other financial services, today announced that Ambac Assurance has filed a lawsuit to protect its rights against the illegal clawback of certain revenue by the Commonwealth of Puerto Rico. The Complaint for Declaratory and Injunctive Relief was filed in U.S. District Court, District of Puerto Rico, with co-plaintiffs Assured Guaranty Corp. and Assured Guaranty Municipal Corp.

In December 2015, the Commonwealth of Puerto Rico announced that it would clawback revenues pledged to other bonds to fund obligations to its general obligation ("GO") bonds. Although the Commonwealth of Puerto Rico, under its constitution, has the right to clawback certain revenues to service its GO bond payments, that right is subject to important preconditions. One key precondition is that the revenues can only be clawed back if no other revenues or moneys are available to pay the GO bond payments. For fiscal year 2016, the Commonwealth forecasts approximately \$9.0 billion of available resources, which vastly exceeds debt service on the public debt of approximately \$1.85 billion.

The targeted clawback revenues include those of Puerto Rico Highways and Transportation Authority ("HTA"), the Puerto Rico Convention Center District Authority ("PRCCDA") and the Puerto Rico Infrastructure Financing Authority ("PRIFA"). The implementation of the clawback contributed to the government's default on January 1, 2016 on \$36 million of interest on PRIFA bonds, and will eventually cause a default on HTA and PRCCDA bonds. Ambac Assurance satisfied its obligation to make timely payment on approximately \$10 million of claims related to PRIFA bonds it insures.

Commenting on today's announcement, Nader Tavakoli, President and Chief Executive Officer of Ambac said, "Over the last several months, we have attempted to engage the Commonwealth in consensual conversations toward finding amicable solutions for their asserted liquidity issues, only to be rebuffed. Instead the Commonwealth has committed itself to a 'scorched earth' strategy of blaming its fiscal and structural problems on lenders, Congress and others, in an effort to deflect responsibility and obtain retroactive application of bankruptcy laws. Serious issues have been raised by the Governor himself as to whether the Commonwealth historically misrepresented its financial condition to fool the very lenders it now seeks to punish."

Mr. Tavakoli continued, "Most recently, the Commonwealth unlawfully diverted tax revenues collected by the U.S. government, which are collected for the specific purpose of supporting PRIFA bonds, in order to finance the government's general accounts. We remain hopeful that the Commonwealth will abandon these illegal tactics, and turn instead toward good faith negotiations aimed at solutions instead of confrontation. While we are optimistic that the government of Puerto Rico will begin to act responsibly, at this time we have no choice but to protect our stakeholders through judicial recourse."

About Ambac

Ambac Financial Group, Inc., ("Ambac"), headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiary, Ambac Assurance Corporation ("Ambac Assurance"), Everspan Financial Guarantee Corp., and Ambac Assurance UK Limited, provide financial guarantees and other financial services to clients in both the public and private sectors globally. Ambac Assurance, including the Segregated Account of Ambac Assurance (in rehabilitation), is a guarantor of public finance and structured finance obligations. Ambac is also selectively exploring opportunities involving the acquisition and/or development of new businesses. Ambac's common stock trades on the NASDAQ Global Select Market under the symbol "AMBC". The Amended and Restated Certificate of Incorporation of Ambac contains substantial restrictions on the ability to transfer Ambac's common stock. Subject to limited exceptions, any attempted transfer of common stock shall be prohibited and void to the extent that, as a result of such transfer (or any series of transfers of which such transfer is a part), any person or group of persons shall become a holder of 5% or more of Ambac's common stock. Ambac is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, we use our website to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information, and the posting of updates to the status of certain primary residential mortgage backed securities litigations. For more information, please go to www.ambac.com.

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