



December 29, 2015

## Ambac Issues Letter to the Governor of Puerto Rico Regarding the Illegal Clawback of Revenue Pledged to PRIFA

NEW YORK, Dec. 29, 2015 (GLOBE NEWSWIRE) -- Ambac Financial Group, Inc. (Nasdaq:AMBC) ("Ambac" or the "Company"), a holding company whose subsidiaries, including Ambac Assurance Corporation ("Ambac Assurance"), provide financial guarantees and other financial services, announced today that Ambac Assurance and Financial Guaranty Insurance Company have issued a letter to the Governor and other top officials of Puerto Rico, regarding the Commonwealth's illegal clawback of revenues pledged to the Puerto Rico Infrastructure Financing Authority ("PRIFA").

Below is the full text of the letter:

December 29, 2015

### VIA HAND DELIVERY

Alejandro García Padilla  
Governor  
La Fortaleza  
P.O. Box 9020082  
San Juan, P.R. 00902-0082

Luis F. Cruz Batista  
Director  
Puerto Rico Office of Management and Budget  
P.O. Box 9023228  
San Juan, P.R. 00902-3228

Juan Zaragoza Gómez  
Secretary  
Department of the Treasury  
P.O. Box 9024140  
San Juan, P.R. 00902-414

Board of Directors  
Puerto Rico Infrastructure Financing Auth.  
P.O. Box 41207  
San Juan, P.R. 00940-1207

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Melba Acosta-Febo  
President  
Gov't Development Bank for Puerto Rico  
Roberto Sanchez Vilella (Minillas) Gov't Ctr.  
De Diego Ave. Stop 22  
San Juan, P.R. 00907

Re: The Commonwealth's Illegal Clawback of Revenues Pledged to the Puerto Rico Infrastructure Financing Authority

Dear Governor García, Mr. Zaragoza, Ms. Acosta, Mr. Cruz and PRIFA Board Members:

We, Ambac Assurance Corporation ("Ambac") and Financial Guaranty Insurance Company ("FGIC"), collectively insure more than \$863 million in aggregate outstanding principal amount of bonds issued by the Puerto Rico Infrastructure Financing Authority ("PRIFA") and secured by federal excise taxes on rum and other articles produced in Puerto Rico and sold in the United States that are collected by the United States and remitted to the Commonwealth (the "Rum Taxes"), as well as other bonds issued by the Commonwealth of Puerto Rico (the "Commonwealth") and/or its agencies and instrumentalities.

On December 1, 2015, Governor García Padilla issued Executive Order 2015-046 (the "Executive Order"), which orders the Secretary of the Treasury of the Commonwealth to "claw back" revenues pledged to PRIFA, among other public corporations. We are gravely concerned by this improper act, which violates numerous statutory and state and federal constitutional provisions, including the Puerto Rico statute governing the order of payment priorities in the event of a budgetary shortfall, Section 8 of Article VI of the Puerto Rico Constitution, and the Takings, Contracts, and Due Process Clauses of the U.S. Constitution.

Even more concerning, however, is the diversion of as much as \$94 million in Rum Taxes securing the PRIFA bonds *before* the Executive Order was issued. Pursuant to the PRIFA Enabling Act the Department of the Treasury of the Commonwealth is required to transfer the first proceeds of the Rum Taxes to the Puerto Rico Infrastructure Fund when received from the United States, up to a maximum amount of \$117 million per year. 3 L.P.R.A. § 1914. Under the

operative trust agreement, the monies must then be transferred as soon as practicable to a separate fund (the "Sinking Fund") maintained in trust on behalf of PRIFA bondholders. (PRIFA Trust Agreement art. IV, § 401.) No monies were transferred into the Sinking Fund in September, October or November of 2015. The taking of Rum Taxes before the Executive Order was issued on December 1, 2015, violates the PRIFA Enabling Act and Trust Agreement, as well as state and federal constitutional provisions. The foregoing pattern of activity is unacceptable.

Accordingly, Ambac and FGIC demand that the Rum Taxes received in fiscal year 2016, up to the statutory \$117 million limit, be immediately transferred to the Sinking Fund as required by the PRIFA Enabling Act and Trust Agreement. Ambac and FGIC further demand that the Commonwealth cease all efforts to "claw back" or otherwise take any action in violation of applicable Commonwealth and federal law concerning any bonds issued by the Commonwealth and/or its agencies and instrumentalities that are insured by Ambac and/or FGIC.

Ambac and FGIC reserve all rights and remedies with regard to the diversion of Rum Taxes from the Sinking Fund and the Executive Order. As always, we remain willing to work cooperatively and constructively with the Commonwealth to find practical, long-term solutions to its current fiscal challenges.

Very truly yours,

Nader Tavakoli  
Executive Chairman  
Ambac Assurance Corporation

Derek M. Donnelly  
Senior Managing Director  
Financial Guaranty Insurance Company

cc: Richard J. Cooper, Esq.  
Jim Millstein  
Robin Keller, Esq.  
Timothy Sandell  
Dennis Dunne, Esq.  
Stanford G. Ladner, Esq.

#### **About Ambac**

Ambac Financial Group, Inc., ("Ambac"), headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiaries, Ambac Assurance Corporation ("Ambac Assurance"), Everspan Financial Guarantee Corp., and Ambac Assurance UK Limited ("Ambac UK"), 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](http://www.ambac.com).

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