

# AMBAC FINANCIAL GROUP INC

## **FORM 8-K** (Current report filing)

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K  
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 8, 2016

**Ambac Financial Group, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State of incorporation)

**1-10777**

(Commission  
file number)

**13-3621676**

(I.R.S. employer  
identification no.)

**One State Street Plaza, New York, New York 10004**

(Address of principal executive offices) (Zip Code)

**(212) 658-7470**

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On December 12, 2016, Ambac Financial Group, Inc. ("Ambac") issued a press release announcing that Mr. Nader Tavakoli has resigned as a director and as President and Chief Executive Officer of Ambac and its principal subsidiary, Ambac Assurance Corporation ("Ambac Assurance," and together with Ambac, the "Company"), effective as of December 12, 2016, and that the term of his employment will end on December 31, 2016. The Board of Directors has named Mr. Claude LeBlanc as President and Chief Executive Officer of both Ambac and Ambac Assurance effective as of January 1, 2017. Mr. LeBlanc will also become a member of the Board of Directors of each of Ambac and Ambac Assurance on January 1, 2017.

A copy of the press release is filed herewith and attached hereto as Exhibit 99.1.

Mr. LeBlanc has over 25 years of experience in structured finance, debt and equity capital markets, business restructuring, and capital management. Mr. LeBlanc will depart as Chief Financial Officer and Chief Restructuring Officer of Syncora Holdings Ltd., effective December 31, 2016. In this role, which he has held since 2010, he actively led global remediation and asset recovery initiatives, evaluated strategic alternatives for the company, and oversaw all aspects of the finance function. He previously served as Special Advisor to Syncora's Board of Directors beginning in 2008. As Special Advisor, he led the successful restructuring of the company during the 2008-2009 financial crisis. Mr. LeBlanc joined Syncora in 2006 as Executive Vice President and was responsible for all corporate development activities, strategic development, capital planning, and management of key bank and rating agency relationships.

Prior to joining Syncora, Mr. LeBlanc served as Senior Vice President of Corporate Development and Strategy and as a member of the executive management group for XL Capital Ltd. In this role, he led various global corporate development initiatives, oversaw and managed significant capital market transactions, and, reporting to the Chief Financial Officer and Chief of Staff, was responsible for global strategy development and capital management. Prior to joining XL Capital in 2002, he served as Chief Operating Officer and a member of the executive management team for Transworld Network International, a North American telecommunications group where he led corporate development, financial planning, and certain business operations. Mr. LeBlanc began his career in 1991 at PricewaterhouseCoopers and later served as Vice President of Financial Advisory Services in 1997 when he advised on mergers and acquisitions, corporate restructurings, and transaction advisory.

Mr. LeBlanc holds a BA in Economics from York University, a BComm from the University of Windsor and an MBA from the Schulich School of Business. He is a Chartered Accountant and Certified Public Accountant.

Ambac and Ambac Assurance have entered into an Employment Agreement (the "Agreement") with Mr. LeBlanc. The Agreement has an initial term of one (1) year, beginning on January 1, 2017, and will automatically renew for successive one (1) year terms unless either party notifies the other that it does not wish to renew the Agreement at least 90 days before the end of the then-current term (the initial one year period of employment under the Agreement and any successor period is known as the "Employment Period"). Under the Agreement, Mr. LeBlanc is entitled to an annual base salary of no less than \$900,000 ("Base Salary") and, for each calendar year that ends during the Employment Period starting with the 2017 calendar year, he shall be eligible to receive an annual bonus pursuant to the Company's annual bonus plan for senior executives, a portion of which, not to exceed 50%, may be awarded in the form of equity grants as determined in the discretion of the Compensation Committees of the Boards of Directors of Ambac and Ambac Assurance (together, the "Joint Compensation Committee"). The amount of any such annual bonus paid to Mr. LeBlanc during the Employment Period shall be based on the achievement of performance goals that are established by the Joint Compensation Committee. Mr. LeBlanc's target annual bonus amount shall be 100% of Base Salary and his maximum annual bonus shall be 200% of Base Salary, as determined by the Joint Compensation Committee, in its discretion. In addition, Mr. LeBlanc will be eligible to participate in Ambac's incentive compensation plan, or any successor or additional plan, subject to the terms of such plan, as determined by the Joint Compensation Committee, in its discretion. With respect to each calendar year that ends during the Employment Period starting with the 2017 calendar year, Mr. LeBlanc's target annual long-term incentive ("LTI") award amount shall be no less than 150% of Base Salary and Mr. LeBlanc's

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maximum annual LTI award amount shall be 300% of Base Salary, as determined by the Joint Compensation Committee in its discretion.

During the Employment Period, Mr. LeBlanc shall be entitled to participate in all employee benefit plans, practices and programs maintained by the Company, as in effect from time to time, that are generally made available to senior executives of the Company. Any compensation paid to Mr. LeBlanc pursuant to this Agreement or any other agreement or arrangement with the Company shall be subject to mandatory repayment by Mr. LeBlanc to the Company to the extent any such compensation paid to Mr. LeBlanc is, or in the future becomes, subject to (i) the Company's Recoupment Policy as in effect from time to time, or (ii) any Federal or state law, rule or regulation which imposes mandatory recoupment. Mr. LeBlanc shall be required to hold shares of the Company's common stock as set forth in, and subject to the terms of, Ambac's Executive Stock Ownership and Retention Policy ("Stock Ownership Policy") as in effect from time to time. The Stock Ownership Policy generally requires that Mr. LeBlanc hold shares of the Company's common stock equal in value to six times his Base Salary.

If Mr. LeBlanc's employment is terminated due to death or disability, he would receive (i) his base salary and any accrued benefits (as defined in the Agreement) through the date of termination, and (ii) an annual bonus for the year of termination, based on actual full-year performance (with any individual factor being rated at 100%), pro-rated to reflect the time of service for such year through the date of termination.

If Mr. LeBlanc's employment is terminated by the Company for "cause" (as defined in the Agreement), or if he resigns without "good reason" (as defined in the Agreement), or his employment is terminated due to the non-renewal of the Agreement by Mr. LeBlanc, he would receive his base salary and any accrued benefits through the date of termination; provided that his accrued benefits shall not include any earned but unpaid annual bonus for the year preceding the year of termination unless otherwise determined by the Joint Compensation Committee.

If Mr. LeBlanc's employment is terminated by the Company other than for "cause" or if he resigns for "good reason," or his employment is terminated due to the non-renewal of the Agreement by the Company, Mr. LeBlanc would be entitled to (i) receive his base salary and any accrued benefits through the date of termination, (ii) receive a lump sum payment equal to two (2) times the sum of (a) one year's Base Salary and (b) the amount of the annual target bonus for the calendar year in which the date of termination occurs ("Target Bonus"), and (iii) receive a lump sum payment equal to the Target Bonus pro-rated to reflect the time of service for such year through the date of termination, and (iv) for up to twelve (12) months following the date of termination, receive customary outplacement services provided to senior executives of the Company. To the extent that Mr. LeBlanc properly elects to continue health care coverage under COBRA, he and his eligible dependents would also continue to participate in the Company's basic medical and life insurance programs for twelve months (subject to earlier discontinuation in certain circumstances). Furthermore, Mr. LeBlanc shall receive twelve (12) months of vesting acceleration on all of his then-outstanding time-based equity awards or, if vesting is less frequent than annually, a pro rata portion in an amount determined by multiplying the total number of shares or units covered by the applicable award by a fraction where the numerator is the number of days that have elapsed from the most recent vesting date (or, if none, the grant date) and the denominator is the total number of days covered by the vesting schedule starting from the grant date and ending on the final scheduled vesting date, and, with respect to Mr. LeBlanc's then-outstanding performance-based equity awards, Mr. LeBlanc shall be deemed to have satisfied the service-based component of such awards and shall be eligible to receive a portion of each such award based on actual performance through the end of the applicable performance period, pro-rated to reflect his actual service plus twelve (12) months during each performance period. If Mr. LeBlanc's employment is terminated by the Company other than for "cause" or if he resigns for "good reason," in either case in contemplation of and no more than 120 days prior to, or within twelve (12) months following, a change in control (as defined in the Agreement), he would be entitled to receive the same compensation described above in this paragraph; *provided*, that with respect to all of Mr. LeBlanc's outstanding equity awards, (x) all of the time-based equity awards shall become immediately vested and (y) with respect to the performance-based equity awards, Mr. LeBlanc shall be

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eligible to vest in each such award based on actual performance through the end of the applicable performance period.

Severance payments made to Mr. LeBlanc in connection with his termination of employment are subject to his delivery of a general release of claims and his material compliance with the restrictive covenants set forth in the Agreement. The Agreement contains restrictive covenants relating to the non-disclosure of confidential information, non-competition (which runs for 12 months following Mr. LeBlanc's termination of employment), non-solicitation (or hiring) of employees (which runs for 12 months following Mr. LeBlanc's termination of employment), mutual non-disparagement, and cooperation on certain matters (which runs for 60 months following Mr. LeBlanc's termination of employment).

The preceding summary of the Agreement contained in this Item 5.02 is qualified in its entirety by reference to the full text of the Agreement attached as Exhibit 10.1, as though it were fully set forth herein.

On December 12, 2016, the Company entered into a Separation Agreement and General Release (the "Separation Agreement") with Mr. Tavakoli. The principal terms of the Separation Agreement are summarized below. This summary is qualified in its entirety by reference to the Separation Agreement, a copy of which is attached hereto as Exhibit 10.2 and incorporated herein by reference.

Pursuant to the Separation Agreement, Mr. Tavakoli will be entitled to receive (i) a lump sum gross payment of \$3,000,000 in accordance with the terms of the Employment Agreement entered into between Ambac and Mr. Tavakoli as of January 4, 2016 (the "Tavakoli Employment Agreement") for a termination by Ambac other than for "cause," and (ii) a lump sum payment in the amount of \$750,000. As a consequence of Mr. Tavakoli's December 31, 2016 termination date, he will vest in the portion of the restricted stock units granted to him on January 4, 2016 that vest on December 31, 2016, subject to the terms of the Ambac's 2013 Incentive Compensation Plan and the underlying restricted stock unit ("RSU") Agreement dated as of January 4, 2016. Mr. Tavakoli's resignation will be treated as removal from the Ambac Board without "cause" for purposes of determining the vesting of the option and the time based RSUs and associated dividend equivalents and the service requirement for performance based RSUs and associated dividend equivalents (collectively the option, time based RSUs, performance based RSUs and their respective dividend equivalents are the "2015 Grants") pursuant to Section 5(b) of the Ambac Restricted Stock Unit and Stock Option Agreement dated as of March 31, 2015.

Pursuant to the Separation Agreement Mr. Tavakoli provided the Company with a general release of claims. Mr. Tavakoli will be subject to certain post-employment obligations set forth in the Tavakoli Employment Agreement, including, but not limited to, obligations related to confidentiality, non-disclosure, materials, non-solicitation, non-competition, compliance with Company policies, non-disparagement, publicity, cooperation and enforcement; provided, however, that the term of the cooperation covenant has been extended to a period of five years following his termination of employment. Pursuant to the Separation Agreement, Mr. Tavakoli will also be retained as a non-employee consultant to provide certain consulting services to the Company through December 31, 2017. Such services will include, but not be limited to, assisting in a smooth leadership transition, advising on asset or liability management issues, advising on issues arising with respect to the rehabilitation of the Segregated Account of Ambac Assurance, consulting on litigation, advising on operational matters, assisting with year-end financial reporting, and advising on other matters as may be reasonably requested by the Company from time to time.

#### **Item 8.01. Other Events.**

On December 12, 2016, Ambac issued a press release announcing, among other things, the management changes described above. A copy of the press release is attached to this Report as Exhibit 99.1.

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**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits. The following exhibit is filed as part of this Current Report on Form 8-K:

<b>Exhibit Number</b>	<b>Exhibit Description</b>
10.1	Employment Agreement dated as of December 8, 2016, by and among Ambac Financial Group, Inc., Ambac Assurance Corporation and Claude LeBlanc.
10.2	Separation Agreement and General Release dated as of December 12, 2016, by and among Ambac Financial Group, Inc. and Nader Tavakoli.
99.1	Press Release dated December 12, 2016.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Ambac Financial Group, Inc.**  
**(Registrant)**

**Dated: December 13, 2016**

**By: /s/ William J. White**  
**First Vice President, Secretary and Assistant General  
Counsel**

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## Exhibit Index

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99.1	Press Release dated December 12, 2016.

**EMPLOYMENT AGREEMENT**

This EMPLOYMENT AGREEMENT (“Agreement”) is entered into as of the 8<sup>th</sup> day of December, 2016, by and among Ambac Financial Group, Inc., a Delaware corporation (“AFG”), Ambac Assurance Corporation, a Wisconsin corporation (“AAC” and, along with AFG, the “Company”, as applicable) and Claude LeBlanc, an individual (the “Executive”).

WHEREAS, the Company desires to employ the Executive as its President and Chief Executive Officer on the terms set forth herein; and

WHEREAS, the Executive desires to accept such employment on such terms.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Employment Agreement. On the terms and conditions set forth in this Agreement, AFG and AAC agree to employ the Executive and the Executive agrees to be employed by AFG and AAC for the Employment Period set forth in Section 2 and in the positions and with the duties set forth in Section 3. The Executive shall be an employee of AAC. AFG and AAC shall be jointly and severally liable for all compensation and benefits payable to the Executive under Sections 4 and 7 of this Agreement; provided, that such joint and several liability shall not impact between themselves the cost sharing agreements between AFG and AAC that are in effect on the date hereof.

2. Term. The term of employment under this Agreement shall be for a period beginning on January 1, 2017 (the “Effective Date”) and ending on the first anniversary thereof, unless sooner terminated as hereinafter set forth; provided that, on such first anniversary of the Effective Date and on each annual anniversary thereafter (such date and each annual anniversary thereof, a “Renewal Date”), the Agreement shall be deemed to be automatically extended upon the same terms and conditions (except for such terms and conditions that expire prior to any extension period), for successive periods of one year, unless the Company or the Executive provides written notice of its intention not to extend the term of the Agreement at least 90 days’ prior to the applicable Renewal Date. The period during which the Executive is employed by AAC hereunder is hereinafter referred to as the “Employment Period.”

3. Position and Duties. During the Employment Period, the Executive shall serve as President and Chief Executive Officer of each of AFG and AAC. In such capacities, the Executive shall report directly to the Board of Directors of AFG and AAC, as applicable. During the Employment Period, the Executive shall have the duties, responsibilities and authority as shall be consistent with the Executive’s positions and such other duties, responsibilities and authority consistent with the Executive’s positions as may be assigned to the Executive by the relevant Board of Directors. The Executive shall devote substantially all of the Executive’s business efforts to the performance of the Executive’s duties hereunder and the advancement of the business and affairs of the Company, provided that in no event shall this sentence prohibit the Executive from creating and managing his personal and family investments or participating in charitable activities, so long as such personal or family investments and charitable activities do not interfere with the Executive’s duties under this Agreement and comply with the Company’s Code of Business Conduct and other policies of the Company as in effect from time to time. AFG and AAC shall each take such actions as may be required so that the Executive becomes a member of the Board of Directors of such company (a) in the case of AFG, as soon as practicable following the creation of a vacancy on the Board and (b) in the case of AAC, as of the Effective Date. Until such time as the Executive becomes a member of the Board of Directors of AFG and AAC, he shall have the right to be an observer of each such Board of Directors, which shall include, without limitation, the following rights: (i) to receive all notices, consents and other information and communications sent generally to members of such Boards of Directors at the same time and manner as received by such members and (ii) to attend all meetings of such Boards of Directors. The Executive may serve on the board of directors of other companies with the prior approval of the AFG Board of Directors or the Governance and Nominating Committee thereof; provided that the Executive agrees to resign such service in the event the AFG Board of Directors

or the Governance and Nominating Committee thereof reasonably determines such service materially interferes with the Executive's duties to the Company.

4. Compensation and Benefits.

(a) Base Salary. Commencing as of the Effective Date and during the Employment Period, the Company shall pay to the Executive a base salary at the rate of no less than \$900,000 per calendar year (the "Base Salary"), less applicable deductions, and prorated for any partial month or year, as applicable. The Base Salary shall be reviewed by the Compensation Committees of AFG and AAC (the "Compensation Committees") no less frequently than annually and may be adjusted in the discretion of the Compensation Committees (but subject to the Executive's right to resign for Good Reason in the event of certain reductions). Any such adjusted Base Salary shall constitute the "Base Salary" for purposes of this Agreement. The Base Salary shall be paid in substantially equal installments in accordance with AAC's regular payroll procedures.

(b) Annual Bonus. For each calendar year that ends during the Employment Period starting with the 2017 calendar year, the Executive shall be eligible to receive an annual bonus pursuant to the Company's annual bonus plan for senior executives, a portion of which, not to exceed 50%, may be awarded in the form of equity grants as determined by the Compensation Committees, in their discretion. The amount of any such annual bonus paid to the Executive during the Employment Period shall be based on the achievement of performance goals that are established by the Compensation Committees. With respect to any performance goals that are subjective in nature, the Compensation Committees shall determine, in their discretion, whether and to what extent such performance goals are achieved. The Executive's target annual bonus amount shall be 100% of the Base Salary and the Executive's maximum annual bonus shall be 200% of the Base Salary, as determined by the Compensation Committees, in their discretion. For the avoidance of doubt, such target and maximum annual bonus opportunities do not constitute a guarantee of any bonus payment. Any annual bonus payable to the Executive hereunder shall be paid at the time bonuses are otherwise paid to other executive officers of AAC, but in any event, no later than March 15 of the calendar year following the year with respect to which such annual bonus is earned.

(c) Long-Term Incentives. During the Employment Period, the Executive shall be eligible to participate in AFG's Incentive Compensation Plan or any successor plan or additional plan of AFG, subject to the terms of any such plan, as determined by the Compensation Committees, in their discretion. With respect to each calendar year that ends during the Employment Period starting with the 2017 calendar year, the Executive's target annual long-term incentive ("LTI") award amount shall be no less than 150% of Base Salary and the Executive's maximum annual LTI award amount shall be 300% of Base Salary, as determined by the Compensation Committees in their discretion. For the avoidance of doubt, such target and maximum annual LTI award opportunities do not constitute a guarantee of any LTI payment.

(d) Employee Benefits; Perquisites. During the Employment Period, the Executive shall be entitled to participate in all employee benefit plans, practices and programs maintained by the Company, as in effect from time to time, that are generally made available to senior executives of the Company. During the Employment Period, the Executive shall be entitled to fringe benefits and perquisites consistent with the practices and policies of the Company, and to the extent such fringe benefits or perquisites (or both) are generally made available to senior executives of the Company. The Company reserves the right to amend, modify or cancel any employee benefit plans, practices and programs, and any fringe benefits and perquisites, at any time and without the consent of the Executive.

(e) Company Compensation Plans. Except as otherwise provided herein, all compensation provided to the Executive pursuant to Section 4 shall be in accordance with the Company's and Company Affiliates' compensation plans and policies. For purposes of this Agreement, "Company Affiliate" means any entity controlled by, in control of, or under common control with, AFG, including without limitation, AAC and its other direct and indirect subsidiaries.

(f) Clawback/Recoupment. Notwithstanding any other provision in this Agreement to the contrary, any compensation paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company shall be subject to mandatory repayment by the Executive to AAC or AFG, as applicable, to the

extent any such compensation paid to the Executive is, or in the future becomes, subject to (i) the Company's Recoupment Policy as in effect from time to time, or (ii) any law, rule, requirement or regulation which imposes mandatory recoupment, under circumstances set forth in such law, rule, requirement or regulation.

(g) Stock Ownership Guidelines. The Executive shall be required to hold shares of the Company's common stock as set forth in, and subject to the terms of, AFG's Executive Stock Ownership and Retention Policy as in effect from time to time.

5. Expenses. The Company shall reimburse the Executive for all expenses reasonably and actually incurred in accordance with policies which may be adopted from time to time by the Company.

6. Termination of Employment.

(a) Permitted Terminations. The Executive's employment is "at will" and may be terminated by either the Executive or the Company at any time and for any or no reason, subject to the following:

(i) Death. The Executive's employment hereunder shall terminate upon the Executive's death;

(ii) By the Company.

(A) Disability. The Company may terminate the Executive's employment due to the Executive's Disability while such Disability exists. For purposes of this Agreement, "Disability" means a "disability" that entitles the Executive to benefits under the applicable Company long-term disability plan covering the Executive and, in the absence of such a plan, that the Executive shall have been unable, due to physical or mental incapacity, to substantially perform the Executive's duties and responsibilities hereunder for 180 days out of any 365 day period or for 120 consecutive days. The Executive agrees, in the event of any question as to the existence, extent or potentiality of the Executive's Disability upon which the Company and the Executive cannot agree shall be resolved by a qualified, independent physician mutually agreed to by the Company and the Executive, the cost of such examination to be paid by the Company. The written medical opinion of such physician shall be conclusive and binding upon each of the parties hereto as to whether a Disability exists and the date when such Disability arose. This section shall be interpreted and applied so as to comply with the provisions of the Americans with Disabilities Act (to the extent applicable) and any applicable state or local laws. Until such termination, the Executive shall continue to receive his compensation and benefits hereunder, reduced by any benefits payable to him under any Company-provided disability insurance policy or plan applicable to him; or

(B) Cause. The Company may terminate the Executive's employment at any time for Cause or without Cause.

For purposes of this Agreement, "Cause" shall be limited to the following events: (i) the Executive's gross negligence or willful misconduct in the performance of his duties, (ii) the Executive's conviction of, or plea of guilty or nolo contendere to, a misdemeanor involving moral turpitude that has a substantial adverse effect on the Executive's qualifications or ability to perform his duties or any felony, (iii) the Executive's failure to attempt to perform lawfully assigned duties consistent with his position or to materially comply with the Company's written material policies, including the Company's Code of Business Conduct and the Delegation of Authority Policy of AFG or AAC, or (iv) the Executive's material breach of this Agreement. Termination of the Executive's employment shall not be deemed to be for Cause unless and until the Company delivers to the Executive copies of resolutions duly adopted by the affirmative votes of not less than a majority of both the AFG Board and the AAC Board (after reasonable written notice is provided to the Executive and the Executive is given a reasonable opportunity, together with counsel, to be heard before both Boards), finding that the Executive has engaged in the conduct described in any of (i)-(iv) above. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, or for a termination under clause (ii), the Executive shall have fourteen (14) days from the delivery of written notice by the Company within which to cure any acts constituting Cause.

(iii) By the Executive. The Executive may terminate his employment for any reason (including Good Reason) or for no reason. If the Executive terminates his employment without Good Reason, then he shall provide written notice to the Company at least forty-five (45) days prior to the Date of Termination.

For purposes of this Agreement, “Good Reason” means (i) any diminution in the Executive’s title or reporting relationships, (ii) a substantial diminution in the Executive’s duties or responsibilities, (iii) the relocation of the Executive’s principal place of employment by more than thirty-five (35) miles, (iv) a reduction of the Executive’s Base Salary, target annual bonus opportunity or target annual LTI, other than a uniform reduction applied to substantially all senior executive officers of AFG and AAC that does not result in a reduction of more than five percent (5%) of any of the Executive’s Base Salary, target annual bonus opportunity or target annual LTI award opportunity, (v) a material decrease in the employee benefits made available to the Executive, in the aggregate, other than in connection with an across-the-board reduction applicable to substantially all senior executives, (vi) a material breach by AFG or AAC of this Agreement, or (vii) after becoming a director of AFG and/or ACC, the Executive ceases to be any such director. In order to invoke a termination for Good Reason, the Executive must deliver a written notice of the grounds for such termination within ninety (90) days of the initial existence of the event giving rise to Good Reason and the Company shall have thirty (30) days to cure the circumstances. In order to terminate his employment, if at all, for Good Reason, the Executive must terminate employment within sixty (60) days of the end of the cure period if the circumstances giving rise to Good Reason have not been cured.

(b) Termination. Any termination of the Executive’s employment by the Company or the Executive (other than because of the Executive’s death) shall be communicated by a written Notice of Termination to the other party hereto in accordance with the requirements of this Agreement. For purposes of this Agreement, a “Notice of Termination” shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall, in the case of termination for “Cause” or for “Good Reason,” set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment. Termination of the Executive’s employment shall take effect on the Date of Termination.

For purposes of this Agreement, “Date of Termination” means (i) if the Executive’s employment is terminated due to the Executive’s death, the date of the Executive’s death; (ii) if the Executive’s employment is terminated because of the Executive’s Disability pursuant to Section 6(a)(ii)(A), 30 days after Notice of Termination, provided that the Executive shall not have returned to the performance of the Executive’s duties on a full-time basis during such thirty (30)-day period with reasonable accommodation; (iii) if the Executive’s employment is terminated due to the Company’s or the Executive’s failure to extend the term of the Agreement pursuant to Section 2, the applicable Renewal Date; or (iv) if the Executive’s employment is terminated by the Company pursuant to Section 6(a)(ii)(B) or by the Executive pursuant to Section 6(a)(iii), the date specified in the Notice of Termination. Notwithstanding any provision of this Agreement to the contrary, for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment that are considered deferred compensation under Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations and guidance promulgated thereunder (collectively “Section 409A”), references to the Executive’s termination of employment (and corollary terms) with the Company shall be construed to refer to the Executive’s “separation from service” (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company.

(c) Resignation of All Other Positions. Upon termination of the Executive’s employment for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as a director, officer or employee of AFG, AAC or any Company Affiliate and as a fiduciary with respect to any benefit plan (or related trust) sponsored by AFG, AAC, or any Company Affiliate. Executive agrees to execute any letter consistent with the foregoing that AFG, AAC, or any Company Affiliate may reasonably request.

## 7. Compensation Upon Termination.

(a) Death. If the Executive’s employment is terminated during the Employment Period as a result of the Executive’s death, this Agreement and the Employment Period shall terminate without further notice or any action required by the Company or the Executive’s legal representatives. Upon the Executive’s death, the Company shall pay to the Executive’s legal representative or estate, as applicable, (i) the Executive’s Base Salary

due through the Date of Termination, (ii) all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination at the time such payments are due and (iii) an annual bonus for the year of termination, based on actual full-year performance (with any individual factor being rated at one hundred percent (100%)), pro-rated to reflect the time of service for such year through the Date of Termination, payable at the time the Company pays bonuses to active employees, but in any event, no later than March 15 of the calendar year following the year with respect to which such annual bonus is earned. The rights of the Executive's legal representative or estate, as applicable, with respect to the Executive's equity or equity-related awards shall be governed by the applicable terms of the related plan or award agreement. In addition, with respect to all of the Executive's outstanding equity awards granted on and after the Effective Date, unless the applicable award agreement provides for greater vesting acceleration on termination as a result of the Executive's death, upon the termination of the Executive's employment as a result of the Executive's death, (i) the Executive shall receive twelve (12) months of vesting acceleration on all of the Executive's then-outstanding time-based equity awards or, if vesting is less frequent than annually, a pro rata portion in an amount determined by multiplying the total number of shares or units covered by the applicable award by a fraction where the numerator is the number of days that have elapsed from the most recent vesting date (or, if none, the grant date) and the denominator is the total number of days covered by the vesting schedule starting from the grant date and ending on the final scheduled vesting date, and (ii) with respect to the Executive's then-outstanding performance-based equity awards, the Executive shall be deemed to have satisfied the service-based component of such awards and shall be eligible to receive a portion of each such award based on actual performance through the end of the applicable performance period, pro-rated to reflect the Executive's actual service plus twelve (12) months during each performance period. Except as set forth herein, the Company and Company Affiliates shall have no further obligation to the Executive or his legal representatives, estate or heirs upon his death under this Agreement other than such obligations which by their terms continue following termination of the Executive's employment. For purposes of this Agreement, "Accrued Benefits" means (i) any compensation deferred by the Executive prior to the Date of Termination and not paid by the Company or otherwise specifically addressed by this Agreement; (ii) any earned but unpaid annual bonus for the year preceding the year of termination, (iii) any amounts or benefits owing to the Executive or to the Executive's beneficiaries under the then applicable benefit plans of the Company; (iv) any amounts owing to the Executive for reimbursement of expenses properly incurred by the Executive prior to the Date of Termination and which are reimbursable in accordance with Section 5; and (v) any other benefits or amounts due and owing to the Executive under the terms of any plan, program or arrangement of the Company.

(b) Disability. If the Company terminates the Executive's employment during the Employment Period because of the Executive's Disability pursuant to Section 6(a)(ii)(A), (A) the Company shall pay to the Executive (i) the Executive's Base Salary due through the Date of Termination, (ii) all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination at the time such payments are due and (iii) an annual bonus for the year of termination, based on actual full-year performance (with any individual factor being rated at one hundred percent (100%)), pro-rated to reflect the time of service for such year through the Date of Termination, payable at the time the Company pays bonuses to active employees, but in any event, no later than March 15 of the calendar year following the year with respect to which such annual bonus is earned. The rights of the Executive with respect to the Executive's equity or equity-related awards shall be governed by the applicable terms of the related plan or award agreement. In addition, with respect to all of the Executive's outstanding equity awards granted on and after the Effective Date, unless the applicable award agreement provides for greater vesting acceleration on termination because of the Executive's Disability, upon the termination of the Executive's employment because of the Executive's Disability, (i) the Executive shall receive twelve (12) months of vesting acceleration on all of the Executive's then-outstanding time-based equity awards or, if vesting is less frequent than annually, a pro rata portion in an amount determined by multiplying the total number of shares or units covered by the applicable award by a fraction where the numerator is the number of days that have elapsed from the most recent vesting date (or, if none, the grant date) and the denominator is the total number of days covered by the vesting schedule starting from the grant date and ending on the final scheduled vesting date, and (ii) with respect to the Executive's then-outstanding performance-based equity awards, the Executive shall be deemed to have satisfied the service-based component of such awards and shall be eligible to receive a portion of each such award based on actual performance through the end of the applicable performance period, pro-rated to reflect the Executive's actual service plus twelve (12) months during each performance period. Except as set forth herein, the Company and Company Affiliates shall have no

further obligations to the Executive under this Agreement upon Executive's termination due to Disability pursuant to Section 6(a)(ii)(A) other than such obligations which by their terms continue following termination of the Executive's employment.

(c) Termination by the Company for Cause or by the Executive without Good Reason or by the Executive's Failure to Extend the Term. If, during the Employment Period, the Company terminates the Executive's employment for Cause pursuant to Section 6(a)(ii)(B) or the Executive terminates his employment without Good Reason pursuant to Section 6(a)(iii) or fails to extend the term of the Agreement pursuant to Section 2, the Company shall pay to the Executive the Executive's Base Salary due through the Date of Termination and all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination, at the time such payments are due, provided that if the Company terminates the Executive's employment for Cause or the Executive terminates his employment without Good Reason, the Executive's Accrued Benefits shall not include any earned but unpaid annual bonus for the year preceding the year of termination unless otherwise determined by the Compensation Committees. Upon a termination of the Executive's employment by the Company for Cause or by the Executive without Good Reason, or due to the Executive's failure to extend the term of the Agreement, the Executive's rights with respect to then vested or exercisable equity or equity-related awards shall be governed by the applicable terms of the related plan or award agreements. Except as set forth herein, the Company and Company Affiliates shall have no further obligations to the Executive under this Agreement upon such termination.

(d) Termination by the Company without Cause or by the Company's Failure to Extend the Term or by the Executive with Good Reason. If, during the Employment Period, other than as set forth in Section 7(e), the Company terminates the Executive's employment other than for Cause pursuant to Section 6(a)(ii)(B) or fails to extend the term of the Agreement pursuant to Section 2 (assuming no Cause then exists), or the Executive terminates his employment with Good Reason pursuant to Section 6(a)(iii), the Company shall pay to the Executive (i) the Executive's Base Salary due through the Date of Termination and (ii) all Accrued Benefits, if any, to which the Executive is entitled as of the Date of Termination, in each case at the time such payments are due. The Executive shall also be entitled to receive, subject to his compliance with the restrictive covenants in Section 8 and the other requirements of this Agreement and his execution and non-revocation of the release described in Section 7(f), the following severance payments and benefits: (1) a lump sum payment equal to two (2) times the sum of (i) the Executive's Base Salary and (ii) the amount of the Executive's annual target bonus for the calendar year in which the Date of Termination occurs (the "Target Bonus"), (2) a lump sum payment equal to the product of (x) the Target Bonus and (y) a fraction, the numerator of which is the number of days the Executive was employed by the Company during the year of termination and the denominator of which is the number of days in such year, (3) for up to twelve (12) months following the Date of Termination, the Company shall provide the Executive with the customary outplacement services provided to senior executives of the Company whose employment terminates, which shall be provided by the Company's approved outplacement services vendor, and (4) provided the Executive and his eligible dependents timely and properly elect to continue health care coverage under COBRA, with regard to the medical program, the Executive and such eligible dependents shall be entitled to continue to participate in such basic medical and life insurance programs of the Company as in effect from time to time, on the same terms and conditions as applicable to active senior executives of the Company, for twelve months or, if earlier, until the date the Executive becomes eligible to receive comparable coverage from another Company or is otherwise no longer eligible to receive COBRA continuation coverage; provided, however, if such medical plan is "self-funded" within the meaning of Code Section 105(h) at the time of termination of employment, then, in lieu of such continued participation in the medical program, the Executive shall be entitled to receive a lump sum payment equal to the portion of the Executive's COBRA premiums equal to twelve (12) months of the Company subsidy of group health plan premiums for the Executive and his eligible dependents, subject to applicable withholdings. Subject to Section 7(h), the lump sum payments described in items (1), (2) and, if applicable, (4) in the preceding sentence shall be made within ten (10) business days of the Release Effective Date; provided, however, that if the Release Period spans two calendar years, no such amounts subject to Section 409A shall be paid prior to January 1 of the second calendar year. The Executive's rights with respect to equity or equity-related awards shall be governed by the applicable terms of the related plan or award agreements, subject to the next sentence. In addition, with respect to all of the Executive's outstanding equity awards granted on and after the Effective Date, unless the applicable award agreement provides

for greater vesting acceleration upon a termination of the Executive's employment by the Company without Cause or by the Executive for Good Reason, upon the termination of the Executive's employment by the Company without Cause or as a result of the Company's failure to extend the term of the Agreement pursuant to Section 2 or by the Executive for Good Reason, (i) the Executive shall receive twelve (12) months of vesting acceleration on all of the Executive's then-outstanding time-based equity awards or, if vesting is less frequent than annually, a pro rata portion in an amount determined by multiplying the total number of shares or units covered by the applicable award by a fraction where the numerator is the number of days that have elapsed from the most recent vesting date (or, if none, the grant date) and the denominator is the total number of days covered by the vesting schedule starting from the grant date and ending on the final scheduled vesting date, and (ii) with respect to the Executive's then-outstanding performance-based equity awards, the Executive shall be deemed to have satisfied the service-based component of such awards and shall be eligible to receive a portion of each such award based on actual performance through the end of the applicable performance period, pro-rated to reflect the Executive's actual service plus twelve (12) months during each performance period.

(e) Termination by the Company without Cause or by the Executive with Good Reason in connection with a Change in Control. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause pursuant to Section 6(a)(ii)(B) or fails to extend the term of the Agreement pursuant to Section 2 (unless coincidental with a termination for Cause), or the Executive terminates his employment with Good Reason pursuant to Section 6(a)(iii), in each case either (i) in contemplation of and no more than 120 days prior to a Change in Control (as defined below) or (ii) within one (1) year following the occurrence of a Change in Control, then, subject to his compliance with the restrictive covenants in Section 8 and the other requirements of this Agreement and his execution and non-revocation of the release described in Section 7(f), the Executive shall receive the payments set forth in Section 7(d) above, except with respect to all of the Executive's outstanding equity awards granted on and after the Effective Date, (x) all of the Executive's then-outstanding time-based equity awards shall become immediately vested and (y) with respect to the Executive's then-outstanding performance-based equity awards, the Executive shall be eligible to vest in each such award based on actual performance through the end of the applicable performance period.

For purposes of this Agreement, "Change in Control" means the occurrence of one or more of the following events, for either AAC or AFG: (i) any "person" (as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934 as amended (the "Act")) or "group" (as such term is used in Section 13(d)(3) of the Act) is or becomes a "beneficial owner" (as such term is used in Rule 13d-3 promulgated under the Act) of more than thirty percent (30%) of the Voting Stock of AAC or AFG; (ii) within any twenty-four (24) month period the majority of the AAC Board or AFG Board consists of individuals other than "Incumbent Directors," which term means the members of the AAC Board or AFG Board on the Effective Date; provided that any person becoming a director subsequent to such date whose election or nomination for election was supported by a majority of the directors who then comprised the Incumbent Directors of the applicable company shall be considered to be an Incumbent Director; (iii) AAC or AFG transfers all or substantially all of its assets or business (unless the shareholders of the applicable company immediately prior to such transaction beneficially own, directly or indirectly, in substantially the same proportion as they owned the Voting Stock of the applicable company, all of the Voting Stock or other ownership interests of the entity or entities, if any, that succeed to the business of, as applicable, AAC or AFG or AAC's or AFG's ultimate parent company if AAC or AFG is a subsidiary of another corporation); or (iv) any merger, reorganization, consolidation or similar transaction unless, immediately after consummation of such transaction, the shareholders of AAC or AFG, as applicable, immediately prior to the transaction hold, directly or indirectly, more than fifty percent (50%) of the Voting Stock of, as applicable, AAC or AFG or AAC's or AFG's ultimate parent company if AAC or AFG is a subsidiary of another corporation (there being excluded from the number of shares held by such shareholders, but not from the Voting Stock of the combined company, any shares received by affiliates of such other company in exchange for stock of such other company). For purposes of this Change in Control definition, AAC and AFG shall include any entity that succeeds to all or substantially all of the business of AAC or AFG and "Voting Stock" shall mean securities or ownership interests of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

(f) Liquidated Damages. The parties acknowledge and agree that damages which will result to the Executive for termination of the Executive's employment by the Company without Cause under Section 6(a)(ii)(B) or by the Executive for Good Reason under Section 6(a)(iii) shall be extremely difficult or impossible to establish or prove, and agree that the severance payments and benefits pursuant to Sections 7(d) and (e) (the "Severance Payments"), shall constitute liquidated damages for any such termination. The Executive agrees that, except for such other payments and benefits to which the Executive may be entitled as expressly provided by the terms of this Agreement or any other applicable benefit plan, such liquidated damages shall be in lieu of all other contractual claims that the Executive may make by reason of any such termination of his employment, other than with respect to the Executive's outstanding equity or equity-related awards, any vested payments or benefits under any plan, program or arrangement of AFG or AAC in which the Executive participated, any claim for indemnification or contribution, and any claim for coverage under AFG's or AAC's indemnification and directors and officers liability coverage, and that, as a condition to receiving the Severance Payments, the Executive will execute a release of claims substantially in the form of the release attached hereto as Exhibit A (except as may be revised to reasonably reflect changes in applicable law) and such other instruments or documents as are required by the terms of this Agreement. Within two business days of the Date of Termination, the Company shall deliver to the Executive the release for the Executive to execute. The Executive will forfeit all rights to the Severance Payments unless, (i) within forty-five (45) days of delivery of the release by the Company to the Executive (such period, the "Release Period"), the Executive executes and delivers the release to the Company and (ii) such release has become fully effective and irrevocable by virtue of the expiration of the revocation period without the release having been revoked (the first such date, the "Release Effective Date"). The Company's obligation to pay the Severance Payments is subject to the occurrence of the Release Effective Date, and if the Release Effective Date does not occur, then the Company shall have no obligation to pay the Severance Payments. If the Executive fails to materially comply with his material obligations under Sections 6(c) or 8 and has not cured (if curable) any such failure within ten (10) days after being provided with written notice of such failure in reasonable detail, the Executive shall, to the extent such amounts are paid, vested or distributed pursuant to Section 7 hereof, (i) forfeit outstanding equity awards, (ii) transfer the shares underlying any equity awards that were accelerated pursuant to the terms of the related plan or award agreements and settled in shares to AAC for no consideration and (iii) repay the after-tax amount of the Severance Payments and any equity awards that were accelerated pursuant to the terms of the related plan or award agreements and settled in cash or sold.

(g) No Offset. In the event of termination of his employment, the Executive shall be under no obligation to seek other employment or take any other action to mitigate any amounts owed to the Executive under this Agreement and, except as otherwise expressly provided herein, there shall be no offset against amounts due to him on account of any remuneration or benefits provided by any subsequent employment he may obtain. The Company's and Company Affiliates' obligation to make any payment pursuant to, and otherwise to perform its obligations under, this Agreement shall not be affected by any offset, counterclaim or other right that the Company or its affiliates may have against him for any reason.

(h) Section 409A. The payments and benefits to be provided to the Executive pursuant to this Agreement are intended to comply with, or be exempt from, Section 409A and will be interpreted, administered and operated in a manner consistent with that intent. If the Executive notifies the Company (with specificity as to the reason therefor) that the Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Section 409A, and the Company concurs with such belief or the Company independently makes such determination, the Company shall, after consulting with the Executive, reform such provision to try to comply with Section 409A through good faith modification to the maximum extent reasonably appropriate to comply with Code Section 409A. To the extent that any provision hereof is modified in order to comply with Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Executive and the Company of the applicable provision without violating the provisions of Section 409A.

(i) For purposes of Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

(ii) The Executive will be deemed to have a Date of Termination for purposes of determining the timing of any payments or benefits hereunder that are classified as deferred compensation only upon a “separation from service” within the meaning of Section 409A.

(iii) Notwithstanding any other provision of this Agreement to the contrary, if at the time of the Executive’s separation from service, (x) the Executive is a specified employee (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time), and (y) the Company makes a good faith determination that an amount payable on account of such separation from service to the Executive constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A (the “Delay Period”), then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first business day after such six-month period (or upon the Executive’s death, if earlier), together with interest for the period of delay, compounded annually, equal to the prime rate (as published in the Wall Street Journal) in effect as of the dates the payments should otherwise have been provided. To the extent that any benefits to be provided during the Delay Period are considered deferred compensation under Section 409A provided on account of a “separation from service,” and such benefits are not otherwise exempt from Section 409A, the Executive shall pay the cost of such benefit during the Delay Period, and the Company shall reimburse the Executive, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to the Executive, the Company’s share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be reimbursed or provided by the Company in accordance with the procedures specified herein.

(iv) To the extent necessary to comply with Section 409A, (A) any amount that the Executive is entitled to be reimbursed under this Agreement will be reimbursed to the Executive as promptly as practical and in any event not later than the last day of the calendar year after the calendar year in which the expenses are incurred, (B) any right to reimbursement or in kind benefits will not be subject to liquidation or exchange for another benefit, and (C) the amount of the expenses eligible for reimbursement during any taxable year will not affect the amount of expenses eligible for reimbursement in any other taxable year.

(v) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “payment shall be made within thirty (30) days following the date of termination”), the actual date of payment within the specified period shall be within the sole discretion of the Company. No payment subject to the application of Section 409A shall be accelerated, offset or assigned except in compliance with all requirements of Section 409A.

8. Confidentiality, Non-Disclosure and Non-Competition Agreement. The Company and the Executive acknowledge and agree that during the Executive’s employment with the Company, the Executive will have access to and may assist in developing Company Confidential Information and will occupy a position of trust and confidence with respect to the Company’s affairs and business and the affairs and business of Company Affiliates. For purposes of this Agreement, “Company Confidential Information” means information known to the Executive to constitute confidential or proprietary information belonging to the Company or Company Affiliates or other non-public information, trade secrets, intellectual property, confidential financial information, operating budgets, strategic plans or research methods, personnel data, projects or plans, or non-public information regarding the terms of any existing or pending transaction between Company or any Company Affiliate and an existing or pending client or customer or other person or entity, in each case, received by the Executive in the course of his employment by the Company or in connection with his duties with the Company. Notwithstanding anything to the contrary contained herein, the general skills, knowledge and experience gained during the Executive’s employment with the Company, information publicly available or generally known within the industry or trade in which the Company or any Company Affiliate operates and information or knowledge possessed by the Executive prior to his employment by the Company, shall not be considered Company Confidential Information. The Executive agrees that the following obligations are necessary to preserve the confidential and proprietary nature of Company Confidential Information and to protect the Company and Company Affiliates against harmful solicitation of employees and customers, harmful effects on

operations and other actions by the Executive that would result in serious adverse consequences for the Company and Company Affiliates:

(a) Non-Disclosure.

(i) During and after the Executive's employment with the Company or Company Affiliates, the Executive will not knowingly, directly or indirectly through an intermediary, use, disclose or transfer any Company Confidential Information other than as authorized in writing by the Company or Company Affiliates, or if such use, disclosure or transfer is during such employment and within the scope of the Executive's duties with the Company or Company Affiliates as determined reasonably and in good faith by the Executive. Anything herein to the contrary notwithstanding, the provisions of this Section 8(a) shall not apply (i) when disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order the Executive to disclose or make accessible any information; (ii) with respect to any other litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement; (iii) as to information that becomes generally known to the public or within the relevant trade or industry other than due to the Executive's violation of this Section 8(a); (iv) as to information that is or becomes available to the Executive on a non-confidential basis from a source which is entitled to disclose it to the Executive; or (v) as to information that the Executive possessed prior to the commencement of employment with the Company. In the event the Executive is required or compelled by legal process to disclose any Company Confidential Information, to the extent the Executive is legally permitted to do so, he will promptly inform the Company so that the Company may, at its own expense, present and preserve any objections that it may have to such disclosure and/or seek an appropriate protective order. Notwithstanding the foregoing, nothing contained in this Agreement shall prohibit the Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. The Executive does not need the prior authorization of AFG's or AAC's legal department to make any such reports or disclosures and the Executive is not required to notify AFG or AAC that the Executive has made such reports or disclosures.

(ii) Pursuant to 18 U.S.C. § 1833(b), an individual may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret: (A) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (B) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

(b) Materials. The Executive will not remove, directly or indirectly through an intermediary, any Company Confidential Information or any other property of the Company or any Company Affiliate from the Company's or Company Affiliate's premises or make copies of such materials except for normal and customary use in the Company's or Company Affiliate's business as determined reasonably and in good faith by the Executive. The Company acknowledges that the Executive, in the ordinary course of his duties, routinely uses and stores Company Confidential Information at home and other locations. The Executive will return to the Company all Company Confidential Information and copies thereof and all other property of the Company or any Company Affiliate at any time upon the request of the Company and in any event promptly after termination of the Executive's employment. The Executive agrees to attempt in good faith to identify and return to the Company any copies of any Company Confidential Information after the Executive ceases to be employed by the Company. Anything to the contrary notwithstanding, nothing in this Section 8(b) shall prevent the Executive from retaining a home computer, papers and other materials of a personal nature, including diaries, calendars and Rolodexes (including his electronic address books), information relating to his compensation or relating to reimbursement of expenses, information that he reasonably believes may be needed for tax purposes, and copies of plans, programs and agreements relating to his employment.

(c) No Solicitation or Hiring of Employees. During the period commencing on the Effective Date and ending twelve (12) months after the Executive's Date of Termination (the "Non-Compete Period"), the Executive shall not, directly or indirectly through an intermediary, solicit, entice, persuade or induce any individual who is employed by the Company or any Company Affiliate (or who was so employed within 180 days prior to the Executive's action, other than any such individual whose employment was involuntarily terminated by the Company or any Company Affiliate) to terminate or refrain from continuing such employment or to become employed by or enter into contractual relations with any other individual or entity other than the Company or Company Affiliates, and the Executive shall not hire, directly or indirectly, as an employee, consultant or otherwise, any such person. Anything to the contrary notwithstanding, the Company agrees that (i) the Executive's responding to an unsolicited request from any former employee of the Company or any Company Affiliate for advice on employment matters, (ii) the Executive's responding to an unsolicited request for an employment reference regarding any former employee of the Company or any Company Affiliate from such former employee, or from a third party, by providing a reference setting forth his personal views about such former employee, or (iii) hiring or retaining any current or former employee or consultant of the Company or any Company Affiliate who responds to a general advertisement for employment that was not specifically directed at such employees or consultants of the Company or any Company Affiliate, shall not be deemed a violation of this Section 8(c).

(d) Non-Competition. During the Non-Compete Period, the Executive shall not, directly or indirectly through an intermediary, (A) solicit or encourage any client or customer of the Company or any Company Affiliate, or any person or entity who was a client or customer within 180 days prior to Executive's action, to terminate, reduce or alter in a manner adverse to the Company or any Company Affiliate any existing business arrangements with the Company or any Company Affiliate or to transfer existing business from the Company or any Company Affiliate to any other person or entity, or (B) without the prior written consent of the AFG Board and the AAC Board, which consent shall not be unreasonably withheld, be engaged by, or have a financial or any other interest in (other than compensatory equity), the portion of any corporation, firm, partnership, proprietorship or other business entity or enterprise, whether as a principal, agent, employee, director, consultant, stockholder, partner or in any other capacity, which (x) materially competes with AAC or any Company Affiliate in any business conducted by AAC or any Company Affiliate as of the Effective Date or in any business acquired or developed by AAC or any Company Affiliate after the Effective Date and on or before the Date of Termination that generates \$5,000,000 or more of net income in the fiscal year prior to termination of employment, provided that in no event shall the above limitations apply to any money or asset management business, including, without limitation, a private equity or hedge fund business engaged in management of alternative investments, or (y) is a financial institution with which the Company or any Company Affiliate has any active or threatened litigation and the Executive's role with such financial institution would involve in a material manner any involvement with such active or threatened litigation; provided, however, that the Executive may own, as a passive investor, securities of any such entity that has outstanding publicly traded securities or is passively owned through an interest in a hedge fund or private equity fund, so long as his direct holdings in any such entity shall not in the aggregate constitute more than 5% of the voting power of such entity and, while employed by AAC does not otherwise violate any Company or Company Affiliate policy applicable to the Executive. The Executive agrees that, before providing services, whether as an employee or consultant, to any entity during the Non-Compete Period, he will provide a copy of this Agreement to such entity. The Executive acknowledges that this covenant has a unique, very substantial and immeasurable value to the Company and Company Affiliates, that the Executive has sufficient assets and skills to provide a livelihood for the Executive while such covenant remains in force and that, as a result of the foregoing, in the event that the Executive breaches such covenant, monetary damages would be an insufficient remedy for the Company and equitable enforcement of the covenant would be proper.

(e) Compliance with Company's Policies. The Executive agrees to observe and comply with the policies and rules of the Company and Company Affiliates unless such compliance is inconsistent with the terms of this Agreement or applicable law.

(f) Non-Disparagement. During the period commencing on the Effective Date and continuing thereafter, the Executive, other than in the good faith performance of his duties for the Company, shall not initiate, participate or engage in any communication whatsoever that could reasonably be interpreted as derogatory or

disparaging to the Company or any Company Affiliate, as applicable, including but not limited to the business, practices, policies, or, as such, shareholders, partners, members, directors, managers, officers and employees of the Company or any Company Affiliate. Similarly, the senior executives and directors of the Company shall not initiate, participate or engage in any communication whatsoever that could reasonably be interpreted as derogatory or disparaging to the Executive. The foregoing shall not be violated by (i) truthful statements by the Executive or the senior executives or directors of the Company in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings) or (ii) the Executive or the senior executives and directors of the Company rebutting false or misleading statements made by others.

(g) Publicity. During the Employment Period, the Executive hereby grants to the Company the right to use, in a reasonable and appropriate manner, the Executive's name and likeness, without additional consideration, on, in and in connection with technical, marketing or disclosure materials, or any combination thereof, published by or for the Company or any Company Affiliate, and any documents or other matters to the extent legally required. If, in connection with the Executive's hiring by the Company or termination of employment with the Company, the Company determines to issue a press release, the Company agrees to consult with the Executive in good faith as to the wording of the press release.

(h) Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Period may necessitate the Executive's cooperation in the future. Accordingly, during the five-year period following the termination of the Executive's employment for any reason, to the extent reasonably requested by AFG or AAC, the Executive shall cooperate with the Company, Company Affiliates and its or their counsel, including information requests relating to the business or affairs of the Company, as well as any investigation, litigation, arbitration or other proceeding related to the business or affairs of the Company, other than in connection with any dispute between the Executive and the Company or any Company Affiliate; provided that, the Company shall make reasonable efforts to minimize disruption of the Executive's business or personal affairs, including limiting Executive's travel to the extent reasonably possible. The cooperation includes the Executive making himself available for reasonable periods of time (with due regard for his other commitments) upon reasonable notice to the Executive in any such litigation or investigation and providing testimony before or during such litigation or investigation. The Company shall reimburse the Executive for reasonable out-of-pocket expenses incurred in connection with such cooperation (including legal counsel selected by the Executive and reasonably acceptable to the Company); provided that, if the Company requires the Executive to devote significant time to such cooperation, the Company and the Executive will establish in good faith a reasonable hourly or daily rate for the time spent by the Executive on such cooperation, based on the Executive's Base Salary as of the termination date.

(i) Enforcement. The Executive acknowledges that in the event of any breach of this Section 8, the business interests of the Company and the Company Affiliates will be irreparably injured, the full extent of the damages to the Company and the Company Affiliates will be impossible to ascertain, monetary damages will not be an adequate remedy for the Company and the Company Affiliates, and the Company will be entitled to enforce this Agreement by a temporary, preliminary and/or permanent injunction or other equitable relief, without the necessity of posting bond or security, which the Executive expressly waives. The Company and the Company Affiliates each acknowledge that in the event of any breach of this Agreement, the interests of the Executive will be irreparably injured, the full extent of damages to the Executive will be impossible to ascertain, monetary damages will not be an adequate remedy for the Executive, and the Executive will be entitled to enforce this Agreement by a temporary, preliminary and/or permanent injunction or other equitable relief, without the necessity of posting bond or security, which the Company expressly waives. The Company and the Executive each understand that the other may waive some of the requirements expressed in this Agreement, but that such a waiver to be effective must be made in writing and should not in any way be deemed a waiver of the right of either party to enforce any other requirements or provisions of this Agreement. The Company and the Executive agree that each of their obligations specified in this Agreement are separate and independent covenants and that the unenforceability of any of them shall not preclude the enforcement of any other covenants in this Agreement. The Executive further agrees that any breach of this Agreement by the Company prior to the Date of Termination shall not release the Executive from compliance with his obligations under this Section 8, as long as the Company fully complies with Sections 7 and 10. The Company

further agrees that any breach during the Employment Period of this Agreement by the Executive that does not result in the Executive being terminated for Cause shall not release the Company from compliance with its obligations under this Agreement. Notwithstanding the foregoing two sentences, neither the Company nor the Executive shall be precluded from pursuing judicial remedies as a result of any such breaches.

(j) Severability. If any of the restrictions or obligations contained in Section 8 shall be determined by any court of competent jurisdiction to be unenforceable by reason of their extending for too great a period of time or over too great a geographical area or by reason of their being too extensive in any other respect, such provision shall be modified to be effective for the maximum period of time for which it may be enforceable and over the maximum geographical area as to which it may be enforceable and to the maximum extent in all other respects as to which it may be enforceable.

9. Section 280G. If any payment or benefit (including payments and benefits pursuant to this Agreement) that the Executive would receive in connection with a transaction (“Transaction Payment”) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Code, and (ii) but for this Section 9, be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then the Company shall cause to be determined, before any amounts of the Transaction Payment are paid to the Executive, which of the following two alternative forms of payment would result in the Executive’s receipt, on an after-tax basis, of the greater amount of the Transaction Payment notwithstanding that all or some portion of the Transaction Payment may be subject to the Excise Tax: (1) payment in full of the entire amount of the Transaction Payment (a “Full Payment”), or (2) payment of only a part of the Transaction Payment so that the Executive receives the largest payment possible without the imposition of the Excise Tax (a “Reduced Payment”).

For purposes of determining whether to make a Full Payment or a Reduced Payment, the Company shall cause to be taken into account all applicable federal, state and local income and employment taxes and the Excise Tax. If a Reduced Payment is made, (x) the Executive shall have no rights to any additional payments and/or benefits constituting the Transaction Payment, and (y) reduction in payments and/or benefits shall occur in the manner that results in the greatest economic benefit to the Executive as determined in this paragraph. If more than one method of reduction will result in the same economic benefit, the portions of the Transaction Payment shall be reduced pro rata.

The independent registered public accounting firm engaged by AFG as of the day prior to the effective date of the transaction shall make all determinations required to be made under this Section 9. If the independent registered public accounting firm so engaged by AFG is serving as accountant or auditor for the individual, entity or group effecting the transaction, AFG shall appoint a nationally recognized independent registered public accounting firm that is reasonably acceptable to the Executive (and such acceptance shall not be unreasonably withheld) to make the determinations required hereunder. The Company shall bear all reasonable expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder. The independent registered public accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and the Executive within fifteen (15) calendar days after the date on which the Executive’s right to a Transaction Payment is triggered or such other time as reasonably requested by the Company or the Executive. If the independent registered public accounting firm determines that no Excise Tax is payable with respect to the Transaction Payment, either before or after the application of the Reduced Amount, it shall furnish the Company and the Executive with detailed supporting calculations of its determinations that no Excise Tax will be imposed with respect to such Transaction Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and the Executive.

10. Indemnification. The Company shall indemnify the Executive to the maximum extent that its officers and employees are entitled to indemnification pursuant to the Company’s certificate of incorporation and bylaws (which shall not be less than currently exists, except as required by applicable law), subject to applicable law, and such indemnification shall continue after termination of employment with regard to actions or inactions prior to termination at a level that is no less than currently exists for officers and employees under the Company’s certificate

of incorporation and bylaws, subject to applicable law. In addition, both during the Employment Period and following his termination of employment, the Executive shall be entitled to liability insurance coverage pursuant to any directors' and officers' liability insurance policy maintained by AFG or AAC as of the Effective Date or put in place following the Effective Date on the same basis as other current or former officers of AFG and AAC with regard to actions or inactions during the period of service as an officer notwithstanding any ceasing of such service.

11. Legal Fees Incurred in Negotiating the Agreement. The Company shall pay or the Executive shall be reimbursed for the Executive's reasonable legal fees and costs incurred in connection with this Agreement up to a maximum of \$25,000. Any payment required under this Section 11 shall be made within thirty (30) days following the Effective Date but in no event later than March 15 of the calendar year immediately following the Effective Date.

12. Notices. All notices, demands, requests, or other communications which may be or are required to be given or made by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered, electronically mailed, mailed by first-class registered or certified mail, return receipt requested, postage prepaid, or delivered by overnight air courier, addressed as follows:

- (i) If to AFG or AAC, to both:

Ambac Financial Group, Inc.  
One State Street Plaza  
New York, New York 10004  
Attn: General Counsel

And

Ambac Assurance Corporation  
One State Street Plaza  
New York, New York 10004  
Attn: General Counsel

with email to the General Counsel's Company email address;

- (ii) If to the Executive:

To his office or email address at the Company (so long as the Executive is then still a Company service provider) or to the address and/or personal email address last shown on the Company's records

Each party may designate by notice in writing a new address or email address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication that shall be given or made in the manner described above shall be deemed sufficiently given or made for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, email sent time-stamp, or the affidavit of messenger being deemed conclusive but not exclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

13. Severability. The invalidity or unenforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect.

14. Effect on Other Agreements. This Agreement constitutes the entire agreement between the parties respecting the employment of the Executive and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

15. Survival. It is the express intention and agreement of the parties hereto that the provisions of Sections 4(f), 7, 8, 9, 10, 12, 13, 14, 16, 17, 18, 20, 21 and 23 hereof and this Section 15 shall survive the termination of employment of the Executive.

16. Assignment. The rights and obligations of the parties to this Agreement shall not be assignable or delegable, except that (i) in the event of the Executive's death, the personal representative or legatees or distributees of the Executive's estate, as the case may be, shall have the right to receive any amount owing and unpaid to the Executive hereunder, (ii) the rights and obligations of the Company hereunder shall be assignable and delegable in connection with any subsequent merger, consolidation, sale of all or substantially all of the assets or equity interests of the Company or similar transaction involving the Company or a successor entity, and (iii) the rights and obligations of the Company hereunder shall be assignable and delegable to AFG and/or AAC. The Company shall require any successor to the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

17. Binding Effect. Subject to any provisions hereof restricting assignment, this Agreement shall be binding upon the parties hereto and shall inure to the benefit of the parties and their respective heirs, devisees, executors, administrators, legal representatives and permitted successors and assigns.

18. Amendment; Waiver. This Agreement shall not be amended, altered or modified except by an instrument in writing duly executed by the party against whom enforcement is sought. Neither the waiver by either of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of either of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

19. Headings. Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

20. Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of New York (but not including any choice of law rule thereof that would cause the laws of another jurisdiction to apply).

21. Arbitration. Any dispute, controversy or claim arising out of or related to this Agreement or any breach of this Agreement shall be submitted to and decided by binding arbitration in the County of New York, New York before a single arbitrator selected jointly by the parties, or, if the parties cannot agree on the selection of the arbitrator, as selected by the American Arbitration Association. Arbitration shall be administered exclusively by the American Arbitration Association and shall be conducted in accordance with the rules for the resolution of employment disputes (previously titled the National Rules for the Resolution of Employment Disputes) as well as any requirements imposed by state law. Any arbitral award determination shall be final and binding upon the parties.

22. Counterparts. This Agreement may be executed in two counterparts, each of which shall be an original and all of which shall be deemed to constitute one and the same instrument.

23. Withholding. The Company may withhold from any benefit payment or any other payment or amount under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement, or have caused this Agreement to be duly executed and delivered on their behalf.

AMBAC FINANCIAL GROUP, INC.

/s/ Stephen M. Ksenak  
Stephen M. Ksenak  
Senior Managing Director and General Counsel

AMBAC ASSURANCE CORPORATION

/s/ Stephen M. Ksenak  
Stephen M. Ksenak  
Senior Managing Director and General Counsel

EXECUTIVE

/s/ Claude LeBlanc  
Claude LeBlanc

EXHIBIT A

**General Release of Claims**

Consistent with Section 7 of the Employment Agreement dated December 8, 2016, among me, Ambac Financial Group, Inc. and Ambac Assurance Corporation (the "Employment Agreement") and in consideration for and contingent upon my receipt of the Accrued Benefits and the Severance Payments set forth in Section 7 of the Employment Agreement, I, for myself, my attorneys, heirs, executors, administrators, successors, and assigns, do hereby fully and forever release and discharge Ambac Financial Group, Inc. and Ambac Assurance Corporation (together, "Ambac") and their past, current and future affiliated entities, as well as their predecessors, successors, assigns, and their past, current and former directors, officers, partners, agents, employees, attorneys, and administrators from all suits, causes of action, and/or claims, demands or entitlements of any nature whatsoever, whether known, unknown, or unforeseen, which I have or may have against any of them arising out of or in connection with my employment by Ambac, the Employment Agreement, the termination of my employment with Ambac, or any event, transaction, or matter occurring or existing on or before the date of my signing of this General Release related to Ambac, except that I am not releasing (i) any claims arising under Section 10 of the Employment Agreement, any other right to indemnification or director and officer liability insurance coverage that I may otherwise have, (ii) any claims that I may have to vested payments or benefits pursuant to the Employment Agreement or any plan, program or arrangement of Ambac in which I participated, (iii) any claims relating to any rights I may have to payments pursuant to Section 7 of the Employment Agreement, (iv) any claims relating to any rights I may have pursuant to equity and equity-based awards granted to me by Ambac, provisions of the Employment Agreement that survive termination of employment, (v) any claims made under state unemployment compensation insurance or workers compensation laws and/or any claims that cannot be waived by law, or (vi) any claims arising after the date of my signing this General Release. I agree not to file or otherwise institute any claim, demand or lawsuit seeking damages or other relief and not to otherwise assert any claims, demands or entitlements that are released herein. I further hereby irrevocably and unconditionally waive any and all rights to recover any relief or damages concerning the claims, demands or entitlements that are released herein. I represent and warrant that I have not previously filed or joined in any such claims, demands or entitlements against Ambac or the other persons or entities released herein and that I will indemnify and hold them harmless from all liabilities, claims, demands, costs, expenses and/or attorney's fees incurred as a result of any such claims, demands or lawsuits.

This General Release specifically includes, but is not limited to, all claims of breach of contract, employment discrimination (including any claims coming within the scope of Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Equal Pay Act, the Americans with Disabilities Act, and the Family and Medical Leave Act, all as amended, or any other applicable federal, state, or local law), claims under the Employee Retirement Income Security Act, as amended, claims under the Fair Labor Standards Act, as amended (or any other applicable federal, state or local statute relating to payment of wages), wage orders, claims concerning recruitment, hiring, termination, salary rate, severance pay, stock options, wages or benefits due, sick leave, holiday pay, vacation pay, life insurance, group medical insurance, any other fringe benefits, worker's compensation, termination, employment status, libel, slander, defamation, intentional or negligent misrepresentation and/or infliction of emotional distress, together with any and all tort, contract, or other claims which might have been asserted by me or on my behalf in any suit, charge of discrimination, or claim against Ambac or the persons or entities released herein.

Ambac and I acknowledge that different or additional facts may be discovered in addition to what we now know or believe to be true with respect to the matters released in this General Release, and we agree that this General Release shall be and remain in effect in all respects as a complete and final release of the matters released, notwithstanding any different or additional facts.

**Claims Excluded from this Release :** However, notwithstanding the foregoing, nothing in this General Release shall be construed to waive any right that is not subject to waiver by private agreement, including, without limitation, any claims arising under state unemployment insurance or workers compensation laws. I understand that rights or claims under the Age Discrimination in Employment Act that may arise after I execute this General Release are not waived. Likewise, nothing in this General Release shall be construed to prohibit me from filing a charge with or participating in any investigation or proceeding conducted by the SEC, EEOC, NLRB, or any comparable state or local agency. Notwithstanding the foregoing, to the extent that Ambac makes any claims against me, nothing in this General Release shall be construed to prohibit me from asserting counterclaims, making cross-claims, or otherwise defending myself, in any case solely with respect to such claims.

I acknowledge that I have been given an opportunity of [twenty-one (21)] days to consider this General Release and that I have been encouraged by Ambac to discuss fully the terms of this General Release with legal counsel of my own choosing. Moreover, for a period of seven (7) days following my execution of this General Release, I shall have the right to revoke the waiver of claims arising under the Age Discrimination in Employment Act, a federal statute that prohibits employers from discriminating against employees who are age 40 or over. If I elect to revoke this General Release in whole or in part within this seven-day period, I must inform Ambac by delivering a written notice of revocation to Ambac's General Counsel, One State Street Plaza, New York, New York 10004, no later than 11:59 p.m. on the seventh calendar day after I sign this General Release. I understand that, if I elect to exercise this revocation right, this General Release shall be voided in its entirety at the election of Ambac and Ambac shall be relieved of all obligations to make the Severance Payments described in Section 7 of the Employment Agreement. I may, if I wish, elect to sign this General Release prior to the expiration of the 21-day consideration period, and I agree that if I elect to do so, my election is made freely and voluntarily and after having an opportunity to consult counsel. I understand that nothing herein prevents me from challenging the validity of my release with respect to the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act, in each case, as amended, although I acknowledge and I agree that I intend that this General Release act as a full release under those statutes.

AGREED: \_\_\_\_\_ DATE: \_\_\_\_\_

**SEPARATION AGREEMENT AND GENERAL RELEASE**

NOTICE: YOU SHOULD THOROUGHLY REVIEW AND UNDERSTAND THE TERMS, CONDITIONS, AND EFFECT OF THIS SEPARATION AGREEMENT AND GENERAL RELEASE. YOU ARE ADVISED TO CONSULT WITH AN ATTORNEY BEFORE SIGNING IT.

The parties to this Separation Agreement and General Release (hereinafter "Agreement") are Ambac Financial Group, Inc. (the "Company"), its successors, predecessors, subsidiaries, and affiliates (hereinafter collectively referred to as "AMBAC"), and Nader Tavakoli ("Employee") (collectively, "Parties").

**WHEREAS**, Employee has been employed by AMBAC in the position of President and Chief Executive Officer pursuant to an Employment Agreement dated as of January 4, 2016 (the "Employment Agreement"), and was employed as interim President and Chief Executive Officer before that time; and

**WHEREAS**, AMBAC and Employee have now agreed to the termination of Employee's employment by mutual agreement and desire to set forth their agreement concerning the terms and conditions of the cessation of employment of Employee, including the precise nature and amount of compensation to be provided to Employee and any other rights and obligations of AMBAC and Employee following Employee's termination of employment;

**NOW, THEREFORE**, in consideration of the respective promises set forth herein, which the Parties acknowledge are adequate consideration for the promises made herein, and subject to the conditions described herein, the Parties acknowledge and agree as follows:

1. **Termination Date**: The Company and Employee agree that Employee's employment with AMBAC, which was initially noticed to end on December 29, 2016, will end on December 31, 2016 ("Termination Date"), notwithstanding any provision in the Employment Agreement that would extend the Employment Period (as defined in the Employment Agreement) beyond such date. Employee will be paid the amounts specified in Section 7(e) of the Employment Agreement for a termination by the Company other than for Cause during the calendar year 2016, and the Company and Employee agree that the lump sum payments described in items (1) and (2) of Section 7(e) shall be equal to the gross amount of \$3,000,000 in the aggregate and subject to all legally required withholdings as reasonably determined by the Company. For clarity, the Company and Employee agree that no amount shall be paid for any unpaid bonus amount for 2016. As a consequence of this Termination Date, Employee will vest in the portion of the restricted stock units issued pursuant to the Ambac Financial Group, Inc. Incentive Compensation Plan (the "Plan") and the Ambac Financial Group, Inc. Restricted Stock Unit Agreement dated January 4, 2016 (the "RSU Agreement") that vest on December 31, 2016 subject to the terms of the Plan and the RSU Agreement.

2. **Resignation**: Employee hereby resigns all positions as an officer and as a member of the Board of Directors of Ambac Financial Group, Inc. ("AFG") and of each direct and indirect subsidiary thereof, including Ambac Assurance Corporation, effective immediately. The Company agrees that this resignation will be treated as removal from the Company's Board without cause for purposes of determining the vesting of the Option and the Time Based RSUs and associated Dividend Equivalents and the service requirement for Performance Based RSUs and associated Dividend Equivalents (collectively the Option, Time Based RSUs, Performance Based RSUs and their respective Dividend Equivalents are the "2015 Grants") pursuant to Section 5(b) of the Ambac Financial Group, Inc. Restricted Stock Unit and Stock Option Agreement dated as of March 31, 2015.

3. **Special Payment and Benefits**: In consideration of the execution of this Agreement by Employee and of Employee's performance of his obligations under this Agreement, including his provision of the consulting services identified in Section 7, and conditioned on his compliance with its terms and conditions, AMBAC will provide Employee with a lump sum payment equal to the gross amount of \$750,000. The lump sum payment described in the preceding sentence shall be made within 15 business days of the Effective Date as set forth in the last sentence

of this Agreement (but in no event prior to January 1, 2017), and shall be subject to all legally required withholdings as determined by the Company.

4. **Release**: Employee, for himself, his attorney, heirs, executors and assigns, does hereby fully and forever release and discharge AMBAC and its past, current and future affiliated entities, as well as their predecessors, successors, assigns, and their past, current and former directors, officers, partners, agents, employees, attorneys, and administrators from all suits, causes of action, and/or claims, demands or entitlements of any nature whatsoever, whether known, unknown, or unforeseen, which Employee has or may have against any of them arising out of or in connection with his employment by AMBAC, the Employment Agreement, the termination of his employment with AMBAC, or any event, transaction, or matter occurring or existing on or before the date of Employee's signing of this Agreement related to AMBAC, except that Employee is not releasing any claims arising under Section 10 of the Employment Agreement, any other right to indemnification or director and officer liability insurance coverage that Employee may otherwise have, any claims that Employee may have to vested payments or benefits pursuant to any qualified pension plan, any claims relating to any rights Employee may have pursuant to equity and equity-based awards granted to Employee by AMBAC (whether in his capacity as a director only or in his capacity as an officer and director) that vested or will vest on or before the Termination Date or any of the 2015 Grants, or any claims arising after the date of his signing this Agreement. Employee agrees not to file or otherwise institute any claim, demand or lawsuit seeking damages or other relief and not to otherwise assert any claims, demands or entitlements that are released herein. Employee further hereby irrevocably and unconditionally waives any and all rights to recover any relief or damages concerning the claims, demands or entitlements that are released herein. Employee represents and warrants that Employee has not previously filed or joined in any such claims, demands or entitlements against AMBAC or the other persons or entities released herein and that Employee will indemnify and hold them harmless from all liabilities, claims, demands, costs, expenses and/or attorney's fees incurred as a result of any such claims, demands or lawsuits.

This Agreement specifically includes, but is not limited to, all claims of breach of contract, employment discrimination (including any claims coming within the scope of Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Equal Pay Act, the Americans with Disabilities Act, and the Family and Medical Leave Act, all as amended, or any other applicable federal, state, or local law), claims under the Employee Retirement Income Security Act, as amended, claims under the Fair Labor Standards Act, as amended (or any other applicable federal, state or local statute relating to payment of wages), wage orders, claims concerning recruitment, hiring, termination, salary rate, severance pay, stock options, wages or benefits due, sick leave, holiday pay, vacation pay, life insurance, group medical insurance, any other fringe benefits, worker's compensation, termination, employment status, libel, slander, defamation, intentional or negligent misrepresentation and/or infliction of emotional distress, together with any and all tort, contract, or other claims which might have been asserted by Employee or on his behalf in any suit, charge of discrimination, or claim against AMBAC or the persons or entities released herein.

Employee acknowledges that different or additional facts may be discovered in addition to what he now knows or believes to be true with respect to the matters released in this Agreement, and he agrees that this Agreement shall be and remain in effect in all respects as a complete and final release of the matters released, notwithstanding any different or additional facts.

However, notwithstanding the foregoing, nothing in this Agreement shall be construed to waive any right that is not subject to waiver by private agreement, including, without limitation, any claims arising under state unemployment insurance or workers compensation laws. Employee understands that rights or claims under the Age Discrimination in Employment Act that may arise after Employee executes this Agreement are not waived. Likewise, nothing in this Agreement shall be construed to prohibit Employee from filing a charge with or participating in any investigation or proceeding conducted by the EEOC, NLRB, or any comparable state or local agency. Notwithstanding the foregoing, Employee agrees to waive his right to recover individual relief in any charge, complaint, or lawsuit filed by him or anyone on his behalf.

The Company represents that it will not assert and waives any claim against Employee based on facts presently known to the independent members of its Board of Directors.

5. **Non-admission of Liability or Wrongdoing** : The Parties understand and agree that the execution of this Agreement does not constitute an admission by any party of any liability or wrongdoing on the part of that party.

6. **Post-Employment Obligations** : All provisions regarding post-employment obligations of Employee pursuant to Section 8 of the Employment Agreement, including, but not limited to, the obligations related to Confidentiality, Non-Disclosure, Materials, Non-Solicitation, Non-Competition, Compliance with Company Policies, Non-Disparagement, Publicity, Cooperation and Enforcement, will remain in full force and effect following the Termination Date according to their terms; provided, however, that Employee agrees to cooperate with the Company as set forth in Section 8(h) of the Employment Agreement for a period of five years following the Termination Date. The post-employment obligations of the senior executives and directors of the Company pursuant to Section 8(f) of the Employment Agreement will remain in full force and effect following the Termination Date according to their terms. For the sixty-day period following the Termination Date, the Company will arrange to forward Employee's mail and electronic communications and will provide reasonable administrative support in connection with activities related to the transitioning of Employee's responsibilities.

7. **Consulting Services** : Employee agrees that during the twelve (12) month period following the Termination Date, Employee shall serve as a consultant to AMBAC and shall be reasonably available to perform services as reasonably requested by AMBAC. Such services shall include, but not be limited to, assisting in a smooth leadership transition, advising on asset or liability management issues, advising on issues arising with respect to the rehabilitation of the Segregated Account of Ambac Assurance Corporation, consulting on litigation, advising on operational matters, assisting with year-end financial reporting, and advising on other matters as may be reasonably requested by AMBAC from time to time. Employee will only provide services to the extent specifically directed by the Chairman of the Board of Directors of AFG (the "Board Chair") or his designee. Employee will only communicate on behalf of the Company or about its business to the extent expressly authorized by the Board Chair or his designee. The Company may not require Employee to provide services at times or places that unreasonably interfere with Employee's other business/remunerative activities. The arrangement will be non-exclusive, will not require Employee's presence in the offices of the Company, and will place no restrictions on the Employee's outside activities beyond scope of the post-employment obligations set forth in Section 8 of the Employment Agreement as modified by Section 6 of this Agreement. Employee will be reimbursed for reasonable expenses expressly authorized by the Board Chair or his designee; Employee will not be obligated to provide any services that would require him to incur expenses absent such prior express authorization from the Board Chair or his designee. Employee acknowledges and agrees that Employee shall not receive any additional compensation for performing services as a consultant to AMBAC beyond what is provided for in Section 3 except as may be expressly agreed in writing by the parties. Notwithstanding anything in the foregoing to the contrary, AMBAC and Employee agree and acknowledge that Employee's consultant services shall not exceed twenty percent (20%) of the average level of bona fide services performed by Employee over the 36-month period immediately preceding the Termination Date. Nothing in this Section 7 or this Agreement shall be deemed to create a fiduciary relationship between Employee and AMBAC.

8. **Communication with Government Agencies** : Nothing in this Agreement precludes Employee from participating in an investigation or otherwise communicating with any federal, state or local government office, official or agency.

9. **Arbitration of Disputes** : Any dispute, controversy or claim arising out of or related to Employee's employment with the Company, this Agreement or any breach of this Agreement shall be submitted to and decided by binding arbitration in the County of New York. Arbitration shall be administered exclusively by the American Arbitration Association and shall be conducted consistent with the rules, regulations and requirements thereof as well as any requirements imposed by state law. Any arbitral award determination shall be final and binding upon the parties.

10. **No Future Employment** : Employee has been told that AMBAC will not hire him as an employee in the future. He promises not to seek employment with the organization unless it personally asks him to do so.
11. **Acknowledgements by Employee** : In signing this Agreement, Employee acknowledges:
- (1) That he has not suffered any job-related wrongs or injuries, such as any type of discrimination, for which he might still be entitled to compensation or relief in the future. He has been paid all wages, compensation and benefits, and other amounts that AMBAC or any Released Party should have paid him in the past.
  - (2) That he is not aware of any unlawful conduct by AMBAC, the Company or any of its or their directors, officers or employees.
  - (3) That he is intentionally releasing claims that he did not know that he might have and that, with hindsight, he might regret having released. He has not assigned or given away any of the claims he is releasing.
  - (4) That he has read and understands this Agreement and that he has been advised to consult with an attorney about its meaning and effect and has done so.
  - (5) That he is receiving monies or other consideration to which he is not otherwise entitled by signing the Agreement and that he is releasing all claims against the Released Parties, whether known or unknown, knowingly and voluntarily and without duress, coercion or undue influence of any kind.
12. **Knowing and Voluntary Execution** : Employee states and represents that he has carefully read the foregoing Agreement consisting of seven (7) pages, and knows and understands the contents thereof, and that he has executed the same as his own free act and deed. Employee also acknowledges that he has had the opportunity to ask questions about each and every provision of this Agreement and that he fully understands the effect of the provisions contained herein upon his legal rights.
13. **Executed Counterparts** : This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.
14. **Modification** : No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by both Parties.
15. **Effect of Void Provision** : If a Party successfully asserts that any provision in this Agreement is void or invalid, the rest of the Agreement shall remain valid and enforceable unless the other Party elects to cancel it. If this Agreement is cancelled pursuant to the preceding sentence, then Employee will forfeit and/or repay any additional amounts which Employee received in exchange for signing it.
16. **Assignability** : Employee's obligations and agreements under this Agreement shall be binding on his heirs, executors, legal representatives and assigns and shall inure to the benefit of any successors and assigns of AMBAC. AMBAC may, at any time, assign this Agreement or any of its rights or obligations arising hereunder to any party. The Company's obligations and agreements shall be binding on its successors and assigns and shall inure to the benefit of Employee's heirs, successors and assigns.
17. **Entire Agreement** : This Agreement sets forth the entire agreement between the Parties hereto and supersedes and replaces any and all prior or contemporaneous representations or agreements, whether oral or written, relating to the subject matter herein. Employee acknowledges that when he decided to sign this Agreement, he was not relying on any representations that were not in this Agreement. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the Parties.





**Ambac Appoints Claude LeBlanc as President and Chief Executive Officer**  
***Remains Focused on Key Strategic Priorities***

NEW YORK, –December 12, 2016 – Ambac Financial Group, Inc. (Nasdaq:AMBC) (“AFG”), a holding company whose subsidiaries, including Ambac Assurance Corporation (“AAC” and together with AFG, “Ambac”), provide financial guarantees and other financial services, today announced the appointment of Claude LeBlanc as President and Chief Executive Officer of Ambac, effective as of January 1, 2017. Mr. LeBlanc, a seasoned financial services executive with more than 25 years of experience in structured finance, debt and equity capital markets, business restructuring and capital management, will also join the Ambac Board of Directors. He succeeds Nader Tavakoli, who has resigned from his roles as President and CEO and as a Director of Ambac, effective immediately, to pursue other opportunities.

“On behalf of the Board, I would like to thank Nader for his many contributions to Ambac,” said Jeffrey S. Stein, Chairman of the Ambac Board. “Under Nader’s leadership, and with the support of the strong management team in place, the company has accomplished a number of key objectives in recent years. With this strong foundation, and as we look to build on our significant progress, Ambac is well positioned to transition the company’s leadership.”

Mr. Tavakoli said, “I am delighted to have served Ambac as CEO during an extremely active and exciting time when we made tremendous progress for the company’s stakeholders. I would like to thank the many dedicated and talented employees of the company for having helped achieve our many advances, positioning the company so well for future success, and contributing to the significant improvements in book value and adjusted book value, as well as other metrics, since AFG’s emergence from bankruptcy in 2013. I wish Claude LeBlanc and the company every success in the future.”

Mr. Stein continued, “Claude has more than two decades of financial services experience, giving the Board confidence that he is the right leader for Ambac as the company continues to concentrate on asset liability management and selective business transactions offering attractive risk adjusted returns that, among other things, may permit utilization of Ambac’s tax net operating loss carry-forwards. We expect to benefit greatly from Claude’s significant expertise as Ambac executes its strategic priorities.”

Mr. LeBlanc said, “I look forward to working with Ambac’s Board, talented management team, dedicated employees and primary regulator to continue executing the company’s strategies to optimize assets and reduce liabilities, while maintaining a clear focus on risk and regulatory matters.”

The company has entered into a separation agreement with Mr. Tavakoli, pursuant to which the term of his employment will end on December 31, 2016. Additional details are included in a Form 8-K to be filed with the Securities and Exchange Commission. Mr. Stein will oversee the business and affairs of the Company, at the direction of the Board, through the end of 2016.

**About Claude LeBlanc**

Mr. LeBlanc will depart as Chief Financial Officer and Chief Restructuring Officer of Syncora Holdings Ltd., effective December 31, 2016, consistent with Syncora’s announced succession plan. In this role, which he has held since 2010, he actively led global remediation and asset recovery initiatives, evaluated strategic alternatives for the company and oversaw the finance and risk functions. During his term, Syncora created approximately \$5 billion in surplus and reduced its insured exposure by over \$140 billion. Mr. LeBlanc also led Syncora’s recent and successful \$1.2 billion restructuring and

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securities exchange offer transaction. He previously served as Special Advisor to Syncora's Board of Directors beginning in 2008. As Special Advisor, he led the successful restructuring of the company during the 2008-2009 financial crisis. Mr. LeBlanc joined Syncora in 2006 as Executive Vice President and was responsible for all corporate development activities, strategic development, capital planning, and management of key bank and rating agency relationships.

Prior to joining Syncora, Mr. LeBlanc served as Senior Vice President of Corporate Development and Strategy and as a member of the executive management group for XL Capital Ltd. In this role, he led various global corporate development initiatives, oversaw and managed significant capital market transactions, and, reporting to the Chief Financial Officer and Chief of Staff, was responsible for global strategy development and capital management. Prior to joining XL Capital in 2002, he served as Chief Operating Officer and a member of the executive management team for Transworld Network International, a North American telecommunications group where he led corporate development, financial planning, and certain business operations. Mr. LeBlanc began his career in 1991 at PricewaterhouseCoopers and later served as Vice President of Financial Advisory Services in 1997 when he advised on mergers and acquisitions, corporate restructurings, and transaction advisory.

### **About Ambac Financial Group**

Ambac Financial Group, Inc. ("Ambac"), headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiaries, Ambac Assurance Corporation ("AAC"), 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. AAC, including the Segregated Account of AAC (in rehabilitation), is a guarantor of public finance and structured finance obligations. Ambac's primary goal is to maximize stockholder value by executing the following key strategies: active runoff of AAC and its subsidiaries through accretive transaction terminations, policy commutations, settlements and restructurings, and maximizing the risk-adjusted return on invested assets; loss recovery through litigation and exercise of contractual and legal rights; improved cost effectiveness and efficiency of the operating platform; rationalization of AAC's capital and liability structures, enabling simplification of corporate governance and facilitating the successful rehabilitation of the Segregated Account; and selective business transactions offering attractive risk adjusted returns that, among other things, may permit utilization of Ambac's tax net operating loss carry-forwards. 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).

### **Forward-Looking Statements**

In this press release, we have included statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "estimate," "project," "plan," "believe," "anticipate," "intend," "potential," "going forward," "looking ahead" and similar expressions, or future or conditional verbs such as "will," "should," "would," "could," and "may," or the negative of those expressions or verbs, identify forward-looking statements. We caution readers that these statements are not guarantees of future performance. Forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, which,

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may by their nature be inherently uncertain and some of which may be outside our control. These statements may relate to plans and objectives with respect to the future, among other things which may change. We are alerting you to the possibility that our actual results may differ, possibly materially, from the expected objectives or anticipated results that may be suggested, expressed or implied by these forward-looking statements. Important factors that could cause our results to differ, possibly materially, from those indicated in the forward-looking statements include, among others, those discussed under "Risk Factors" in our most recent SEC filed quarterly or annual report.

Any or all of management's forward-looking statements here or in other publications may turn out to be incorrect and are based on management's current belief or opinions. Ambac's actual results may vary materially, and there are no guarantees about the performance of Ambac's securities. Among events, risks, uncertainties or factors that could cause actual results to differ materially from expectations or estimates reflected in such forward-looking statements, include, among others: (1) volatility in the price of Ambac's common stock; (2) uncertainty concerning our ability to achieve value for holders of Ambac securities, whether from Ambac Assurance Corporation ("Ambac Assurance") or from new business opportunities; (3) dilution of current stockholder value or adverse effects on our share price resulting from the issuance of additional shares of common stock; (4) adverse effects on our share price resulting from future offerings of debt or equity securities that rank senior to our common stock; (5) potential of rehabilitation proceedings against Ambac Assurance; (6) decisions made by the rehabilitator of the Segregated Account of Ambac Assurance Corporation (the "Segregated Account") for the benefit of policyholders that may result in material adverse consequences for Ambac's security holders; (7) changes to the Segregated Account Rehabilitation Plan that could adversely affect the value of securities issued or insured by Ambac Assurance or the Segregated Account; (8) our inability to realize the expected recoveries included in our financial statements, including those relating to breaches of representations and warranties (R&W) by sponsors of certain RMBS transactions; (9) intercompany disputes or disputes with the rehabilitator of the Segregated Account; (10) our inability to monetize assets, restructure or exchange outstanding debt and insurance obligations, or the failure of any such transaction to deliver anticipated results; (11) our results of operation may be adversely affected by events or circumstances that result in the accelerated amortization of our insurance intangible asset; (12) increased fiscal or liquidity stress experienced by issuers of public finance obligations or an increased incidence of Chapter 9 filings or other restructurings by municipal issuers; (13) adverse tax consequences or other costs resulting from the Segregated Account rehabilitation plan, from rules and procedures governing the payment of permitted policy claims, or from the characterization of our surplus notes as equity; (14) credit risk throughout our business, including but not limited to credit risk related to residential mortgage-backed securities, student loan and other asset securitizations, collateralized loan obligations, public finance obligations and exposures to reinsurers; (15) risks attendant to the change in composition of securities in our investment portfolio; (16) inadequacy of reserves established for losses and loss expenses; (17) the risk that our risk management policies and practices do not anticipate certain risks and/or the magnitude of potential for loss as a result of unforeseen risks; (18) changes in prevailing interest rates; (19) factors that may influence the amount of installment premiums paid to Ambac, including the Segregated Account rehabilitation proceedings; (20) default by one or more of Ambac Assurance's portfolio investments, insured issuers or counterparties; (21) market risks impacting assets in our investment portfolio or the value of our assets posted as collateral in respect of investment agreements and interest rate swap transactions; (22) risks relating to determinations of amounts of impairments taken on investments; (23) the risk of litigation and regulatory inquiries or investigations, and the risk of adverse outcomes in connection therewith, which could have a material adverse effect on our business, operations, financial position, profitability or cash flows; (24) our inability to realize value from Ambac Assurance UK Limited; (25) system security risks; (26) market spreads and pricing on derivative products insured or issued by Ambac or its subsidiaries; (27) the risk of volatility in income and earnings, including volatility due to the application of fair value accounting; (28) changes in accounting principles or practices that may impact Ambac's reported financial results; (29) legislative and regulatory developments; (30) operational risks,

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including with respect to internal processes, risk models, systems and employees, and failures in services or products provided by third parties; (31) Ambac's financial position and the Segregated Account rehabilitation proceedings that may prompt departures of key employees and may impact our ability to attract qualified executives and employees; (32) the potential adverse economic impact of the United Kingdom's withdrawal from the European Union on Ambac's insured international portfolio and the value of its foreign investments; and (33) other risks and uncertainties that have not been identified at this time.

**Contact**

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