

CODE OF BUSINESS CONDUCT

**Ambac Financial Group, Inc.
and its Subsidiaries and Affiliates**

and

**Ambac Assurance Corporation
and its Subsidiaries and Affiliates**

REVISED AS OF: DECEMBER 2016

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To All Ambac Employees, Officers and Directors:

Throughout Ambac's history, we have made unquestioned integrity one of the cornerstones of our corporate culture and professional relationships. This Code will help all Ambac employees, officers and directors meet Ambac's standards for ethical behavior by providing guidelines for handling business situations appropriately.

Please read and familiarize yourself with this Code. It will help you understand what is expected of all Ambac employees, officers and directors in order to continue our strong tradition of integrity.

Sincerely,

Stephen M. Ksenak
Group Compliance Officer

Our Commitment

This Code of Business Conduct (the "**Code**") reaffirms our commitment to integrity as the cornerstone of the behavior of employees, officers, directors and all others who act on our behalf. Each of us is responsible for acting in accordance with high ethical standards. Our ethical standards are based on respect for the dignity of each individual and a commitment to honesty and fairness.

Our obligation to operate within the law is just the beginning of our ethical commitment. We must always strive for fairness in our dealings and relationships.

The Code is designed to assist you in making the right choices when confronted with a difficult situation. By following the Code, you will help ensure that we conduct our business for the benefit of all our constituencies -- that is, our clients, stockholders, regulatory bodies, vendors, host communities and fellow employees.

However, the Code does not cover every situation. Exceptions do arise. You should get help from your manager, Ambac's Group Compliance Officer or General Counsel or other senior officers of Ambac whenever you are in doubt as to the proper course of action.

The willingness of each of us to raise ethical concerns is essential. No one will suffer any adverse effect to their job or career as a result of raising an ethical concern or questioning an Ambac practice. Still, if you prefer to speak with someone in confidence or remain anonymous, you can contact Ambac's 24 Hour Corporate Governance Hotline as described in Part VI of this document.

Individuals in management positions have a special responsibility to demonstrate and model high ethical standards in their behavior and to create an environment that supports ethical behavior: an environment where questionable practices are challenged and corrective action is taken as appropriate.

These standards apply in all countries where we conduct business. All employees are subject to the laws and regulations of the country where they work, but because Ambac is a U.S. company, U.S. law may apply as well. In some instances, U.S. law might apply to conduct that occurs outside the U.S. -- for example, in the case of anticorruption and bribery laws. Be sure to consult with your manager or a member of the Legal Department, the Group Compliance Officer or General Counsel if you are unclear about which laws and regulations apply to your activities.

Please note that if you perform any work for certain Ambac subsidiaries, you may be subject to additional legal and regulatory requirements. Ambac Assurance UK Limited ("AUK") is regulated by the Prudential Regulatory Authority ("PRA") and Financial Conduct Authority ("FCA") (and their predecessor regulator the Financial Services Authority of the United Kingdom (the "FSA"). Because of this, certain employees who perform work for AUK may be subject to further PRA and FCA restrictions or requirements. If you have any questions or concerns regarding the additional restrictions or requirements or if the Code directs you to contact the "General Counsel," please contact the AUK General Counsel.

Statement of Our Ethical Principles

We will deal fairly and honestly with those who are affected by our actions and treat them as we would expect them to treat us if the situation were reversed.

We will respect the dignity of each individual.

We will undertake only those business activities that will withstand public ethical scrutiny.

We will disclose any conflict of interest or potential conflict of interest, that we may have that affects our responsibilities to Ambac and remove the conflict where required.

We will promote relationships based on mutual trust and respect and provide an environment where individuals may question Ambac practice without suffering a career disadvantage.

Part I - Conducting Ambac's Business

General

In conducting the various businesses of Ambac you will be dealing with a variety of people and organizations including clients, policyholders, vendors, regulatory bodies, government agencies, competitors, rating agencies, reinsurers and investors as well as community representatives and other employees.

All of our business relationships should be based on honesty and fairness.

Dealing with External Constituents

We must deal fairly and honestly with all of the parties we interact with.

Dealing with Each Other

Basic to our relationship with each other is the recognition of the value and worth of each individual and the necessity to provide a working climate which is protective of the well-being of all employees.

Our objective is to establish clear job requirements and Ambac's standards of expectations. To foster success, we will provide individuals with learning opportunities, coaching and performance feedback.

We value the opinions and experiences of employees and respect their diverse backgrounds. We will maintain an "open door" so that employees can express their views freely without fear of reprisal.

We will respect the privacy of employee information contained in Ambac's files.

Community Service

Ambac's employees, officers and directors are encouraged to be active in their communities and to support a variety of organizations. If the activities present a conflict of interest with Ambac, or require an undue amount of time that might interfere with the employee's work, the situation should be discussed with the employee's department manager for guidance and resolution.

Disparagement

No one should ever make false, misleading or disparaging remarks about individuals or organizations or their products and services.

In particular, do not disparage our competitors or their products or employees. We should sell our products and services on their merits. If you make comparisons between our products and services and those of a competitor, they should be accurate and factual.

Discrimination

We are committed to maintaining a work environment in which all individuals are treated with respect and dignity. Each person has the right to work in a professional atmosphere that promotes equal opportunities and prohibits discriminatory practices, including sexual harassment. Discrimination or harassment, whether based on race, creed, color, religion, age, sex, disability, sexual orientation, national origin, marital status, alienage, citizenship status, veteran's status or any other protected class under U.S. Federal or State law or the laws of any other country in which Ambac resides or does business -- and regardless of whether it occurs at the office or at an outside, Ambac-sponsored setting -- is unacceptable and will not be tolerated.

Acquiring Information

We regularly acquire information about other companies in conducting our business. This is acceptable when this information is properly acquired. Proper sources would include information which is published or in the public domain, or is lawfully received from the owner or an authorized third party.

You have a responsibility not to misuse the intellectual property of any vendor, customer, business partner or competitor. This includes software as discussed in Part IV below.

You may not acquire information about other companies through improper means. Examples of improper means of acquiring information include:

- receiving information from a third party that was illegally or improperly acquired by the third party and
- receiving information of a company from present or former employees who are unauthorized to disclose it.

If you are offered information under suspicious circumstances, you should immediately advise Ambac's Group Compliance Officer or General Counsel.

If you come into possession of information from another company that is marked confidential, or that you believe is confidential, you should advise Ambac's Group Compliance Officer or General Counsel. If our possession is improper, the Group Compliance Officer will return the information to the proper owner.

Confidential Information Properly Received From Others

We regularly receive confidential information from those with whom we do business. When we receive such information, it may be received under the terms of a written agreement that spells out our obligations for the use and protection of the information. These agreements should be reviewed by one of Ambac's lawyers. Receipt and storage of confidential information must be managed in accordance with the policies and procedures maintained by Ambac.

You must protect the confidentiality of any such information and limit your use of it to what is authorized by any agreement. You are also responsible to see that those who are not authorized do not have access to the confidential information.

Meals, Entertainment and Gifts

General Rule for Providing or Accepting Meals and Entertainment

You may provide to (or accept from) customers, service providers, vendors, competitors, reinsurers, investors or other business acquaintances customary business amenities such as meals, refreshments, beverages and entertainment provided that the amenity satisfies each of the following requirements:

- you are present when the amenity is provided. If you are not present, the amenity is considered a gift and you should refer to the below sections regarding gifts;
- it is directly related to or associated with the conduct of legitimate Ambac business;
- it is within \$200 or foreign currency equivalent in cost;
- it is appropriate as to time and place;
- it is not of a recurring nature so as to suggest an improper motive;
- it is not intended to improperly influence and it does not give the appearance of improperly influencing the recipient;
- it cannot be viewed as or appear to be a bribe, kickback or illegal gratuity; and
- it is in compliance with all applicable federal, state and local laws of the country in which you are doing business.

(See the next section entitled "*Special Rule for Providing Meals and Entertainment to Public Sector Employees*")

If your business amenity violates the Code, it does not matter that you paid for it out of your personal funds and did not submit an expense report to Ambac for reimbursement.

If you provide a business amenity (or a gift) to a customer, and submit an expense report to Ambac for reimbursement, you must completely and accurately document your expenditure in writing with receipts and all other required information, such as business justification, name, title, company or agency and relationship of customer.

Special Rule for Providing Meals and Entertainment to Public Sector Employees

An activity which would be viewed as a normal business courtesy in the private sector can be construed in the public sector as an attempt to improperly influence (or reward) a “public sector employee” (as defined below) through a bribe, kickback or illegal gratuity.

By “public sector employee” we mean federal, state and local government officials and employees of public agencies, authorities and school districts in any jurisdiction.

You are prohibited from providing any customary business amenity to a public sector employee unless you determine in advance that the receipt of such amenity by the public sector employee would not violate applicable codes of ethics or law.

- Under most U.S. state laws, however, you will generally be permitted to provide amenities to public sector employees in connection with a conference, seminar or other Ambac-hosted event at which there are attendees other than just public sector employees.

Your violation of Ambac policy in this area could have extremely serious consequences. It could result in Ambac and its affiliates being banned from doing any business with the government involved. It will result in Ambac taking disciplinary action against you including possible termination of employment, and could result in the government involved imposing criminal sanctions on you.

General Rule for Making Gifts

You may make a business-related gift to a customer if the value of the gift is no more than \$200 or foreign currency equivalent per customer per calendar year. If you pay for a meal or entertainment but do not participate or attend we will consider this a “gift” subject to the \$200 or foreign currency equivalent per customer annual limitation.

You should never make a gift of money in any amount.

In your personal capacity, you may, of course, give a gift. But, you should carefully consider how the gift appears if the recipient is a customer, a vendor or a public sector employee in addition to being a personal friend or acquaintance. If you believe the personal gift may be interpreted as an improper award or payoff, no gift should be given.

If your gift violates the Code, it does not matter that you paid for it out of your personal funds and did not submit an expense report to Ambac for reimbursement.

Special Rule for Making Gifts to Public Sector Employees

If you are considering making a gift to a public sector employee, you are responsible for determining in advance that the gift would not violate applicable codes of ethics or law. This is the same rule that you must follow before providing a meal or entertainment to a public sector employee.

If you have any questions regarding applicable laws you should contact Ambac’s Group Compliance Officer or General Counsel.

General Rule for Accepting Gifts

You are to courteously decline or return any business-related gift which can be valued in excess of \$200 or foreign currency equivalent per customer per calendar year, or which otherwise violates the Code, and inform the customer of Ambac's gift policy. You should never accept a gift of money in any amount.

In your personal capacity, you may, of course, accept a gift. But, you should carefully consider how the gift appears if the offeror is a customer, a vendor or a public sector employee in addition to being a personal friend or acquaintance. If you believe the personal gift may be interpreted as an improper award or payoff, do not accept the gift.

Improper Payments

You may not directly or indirectly offer or solicit any kind of payment or contribution for the purpose of:

- influencing customers, vendors or public sector employees;
- obtaining, giving or keeping business; or
- persuading any public sector employee or any employee of another company to fail to perform, or to improperly perform, his or her duties.

We will immediately terminate any employee who we find has dealt illicitly with anyone -- vendor, customer, client, public sector employee, etc. -- for personal gain. In serious cases, we may take legal steps to recover our losses. You should immediately report to Ambac's Group Compliance Officer any attempted bribe or other improper proposal.

Political Contributions and Activities

Political activity must occur strictly in your individual and private capacity and not on behalf of the Company. Ambac resources, financial or otherwise, may not be used to support political parties, candidates or causes, unless approved in advance by the Chief Executive Officer and General Counsel of AFG.

An Ambac employee or director wishing to run for political office or accept a political appointment must obtain prior written approval from the Chief Executive Officer and General Counsel of AFG.

Ambac employees, officers or directors are not permitted to use Ambac's name in connection with any political campaign other than to state they are affiliated with or employed by Ambac. Ambac in no way intends to impinge upon your First Amendment rights in the U.S., or equivalent freedom of speech rights in other jurisdictions. We encourage you to support your own political parties, candidates and causes. However, you must do so on your own time and not use any of our resources such as reproduction, facsimile machines, postage meters, telephones or computers.

To assure that your individual political contributions do not give rise to conflicts of interest that may implicate Ambac, you should avoid the appearance of impropriety in making political contributions. For example, you should carefully consider whether to contribute to political candidates' campaigns or causes who or which, if successful, could have a financial impact on Ambac's business.

If a planned contribution could in any way be looked upon as involving Ambac funds, property or services, or could create the appearance of impropriety, you should discuss this contribution in

advance with the Group Compliance Officer, Chief Executive Officer and General Counsel of AFG.

Ambac does not purchase tickets or pay fees for employees, officers or directors to attend an event where any portion of the funds will be used for election campaigns. Using Company time or assets (phone, fax, computer) to support an employee's run for public office or campaigning for a candidate is the equivalent of such a contribution, and is therefore not permitted. However, reasonable time off without pay (with management approval), or the use of vacation time to support these activities is permitted.

Ambac employees, officers and directors may make political contributions to elected officials at the Federal, State and local levels only if the contribution (i) complies with applicable law and (ii) is made in the name of the contributor or his/her family and not tied to the business of Ambac. In countries other than the U.S., other laws may apply. You are expected to familiarize yourself with the relevant local law requirements with respect to political contributions and comply with local law.

No persons may be reimbursed directly or indirectly by Ambac for any political contribution or for their attending any political event.

Accurate Records and Reporting

You must record and report all information accurately and honestly, whether for internal or external distribution.

All Ambac financial reports, accounting records, credit reviews and underwriting memoranda, research reports, sales reports, marketing reports, expense reports, time sheets and all other documents must accurately and clearly represent the relevant facts and/or the true nature of the transaction(s) or other subject matter.

Ambac employees may not alter or falsify information on any record or document. No Ambac employee or director shall take any action to fraudulently induce, coerce, manipulate or mislead Ambac's independent or internal auditors.

Management is responsible for establishing and maintaining adequate controls and procedures to ensure that transactions are properly authorized and are recorded timely and accurately. Controls also ensure that information reported is complete, accurate and representative of the relevant facts and/or the true nature of the transaction(s) or other subject matter. However, this does not in any way limit the personal responsibility of each employee to record and report information accurately and honestly.

Ambac files and provides reports, documents and other information to the Securities and Exchange Commission ("SEC"), in the U.S., and insurance regulators and other governmental and non-governmental agencies, organizations and external parties in the U.S. and other jurisdictions. Such reports, documents and other information must be a full, fair, accurate, timely and understandable disclosure of the financial results, financial condition and other applicable facts and circumstances presented. We strictly prohibit dishonest reporting of information to government agencies and to organizations and people outside of Ambac. This includes not only reporting information inaccurately, but also organizing or presenting it in a way that is, or may appear to be, intended to mislead or misinform the recipients or expected users of the information.

Failure to comply with this section of the Code could lead to civil or criminal liability for you and for Ambac.

Suspected violations should be communicated immediately, following the procedures described in Part VI of the Code, "Reporting Suspected Violations of Law or of the Code."

Document and E-Mail Retention

The space available for the storage of Ambac documents is limited and expensive. It is therefore important that you regularly discard unnecessary paper such as duplicates, notes, working files and drafts as well as documents and e-mail stored on computers. On the other hand, there are legal requirements that certain records be retained for specific periods of time. For specific categories of documents, you should consult existing document retention policies. For retention of documents relating to insurance policies you should consult with Ambac's General Counsel. If you are unsure about the need to keep particular documents, you should consult with the head of your department so that a judgment can be made as to the likelihood that the documents will be needed.

Whenever it becomes apparent that documents will be required in connection with a litigation or government investigation, all conceivably relevant documents and e-mails should be preserved, and ordinary disposal of documents in areas pertaining to the litigation or investigation must be suspended. The obligation to suspend disposal of documents arises as soon as there is a reasonably foreseeable likelihood of litigation or a government investigation. If you are uncertain whether documents in your area should be preserved because of their potential relevance to an investigation or legal proceeding, you should consult Ambac's General Counsel and Ambac's Group Compliance Officer. Please advise the General Counsel as soon as you believe there is a likelihood of a government investigation or litigation, either by or against Ambac.

Consultants

Although they are not our employees, consultants and agents retained by Ambac are expected to adhere to our Code in the course of their work on behalf of Ambac.

Special care should be taken to ensure no conflict of interest exists, that the consultant is genuinely qualified and in the business for which retained, and that the compensation is reasonable for the services being performed. All consulting arrangements must comply with Ambac's Vendor Management Policy, a copy of which is available on Ambac's Intranet.

Any consultant engaged to perform any work for AUK may be subject to additional legal and regulatory requirements established by the PRA and FCA. If you intend to engage a consultant who will perform any work for AUK, please contact the AUK General Counsel prior to entering into the engagement.

Consultants and agents may not be retained to do anything illegal or improper.

Legal and Regulatory Compliance

You must become familiar with and comply with the laws and regulations which govern your area of responsibility. If you are responsible for an activity involving the application of a particular law, you should consult with and be guided by the advice of Ambac's lawyers. You should not make decisions regarding the application of laws without that advice. You are not authorized to take any action which any lawyer has advised would constitute a violation of the law.

It is our intent to conduct our business in a way that not only conforms to the letter of the law, but also promotes the spirit of fairness and honesty behind the laws.

Insurance Fraud and Deceptive Sales Practices

Our insurance subsidiaries, Ambac Assurance Corporation ("Ambac Assurance") and Ambac Assurance UK Limited, must comply with all insurance laws and regulations regarding deceptive sales practices and insurance fraud according to applicable U.S. federal and state law and English and other applicable laws depending upon jurisdiction. We have established the following guidelines to protect Ambac from any loss or penalties as a result of such acts.

Internal Fraud Involving Ambac's Employees

You are prohibited from using any unfair and deceptive sales practices and may not solicit services naming Ambac as the insurer if Ambac does not offer such services.

If you engage in illicit solicitation, you will be subject to severe disciplinary action including possible termination of employment. We will also report this information to the appropriate insurance authorities.

If you commit an act of insurance fraud you will be subject to severe disciplinary action including possible termination of employment. You will also be subject to prosecution by the appropriate authorities. We will report any information regarding insurance fraud to the appropriate insurance authorities.

Reporting of Fraud to Appropriate Law Enforcement Agencies

If you have cause to believe that insurance fraud has been or is being committed, either internally or by one or more of Ambac's policyholders, you are required to report the suspected insurance fraud immediately to Ambac's General Counsel (or his designees). Ambac's General Counsel will then investigate the potential fraud as required by law or as otherwise appropriate and make a report to the appropriate enforcement authorities, as required by law. You are expected to cooperate with the investigation and prosecution of insurance fraud cases. We will report any data relating to insurance fraud to the appropriate insurance authorities.

Civil Actions Against Persons Engaged in Fraudulent Activities

We will undertake civil actions against persons who have been found to have engaged in any fraudulent insurance activities.

A review of all claims received and logged is performed by a Risk Operations professional who monitors claims. The results of this review are maintained and tracked as metadata on the internal recording system. For first time (new) claims, Risk Operations will review the claims against the original policy to ensure the claim is valid (i.e. Ambac insured). For all claims received, Risk Operations will ensure that the claim documentation received from the Policyholder is a properly executed claim form. All claims are verified through independent resources by the portfolio risk management group where applicable, including: comparing to

information known about the transaction and the credit generally; reports from trustees, servicers and other transaction parties; known “red flags” (if any) applicable to the transaction type; past experience with, and public information concerning the party making the claim; interviews (which may be conducted with or by Ambac’s General Counsel or his designees) with transaction parties who may have information concerning the claim and the transaction, in the event fraud is suspected; and any other applicable criteria that may indicate possible fraud. With respect to claims on policies insuring mortgage backed securities, which comprise the bulk of Ambac’s claims, the portfolio risk management group refers to Intex (a company that provides industry standard modeling and pricing data). They also receive and review remittance reports (standard reports generated by the trustees for the bond insured) where applicable. Claims that cannot be verified in this matter are investigated to reconcile discrepancies. If a dispute occurs, the matter is referred to the Legal Department.

Money Laundering; Antiterrorism Laws

Under no circumstances should any Ambac employee participate in any money laundering activity. In addition to severe criminal penalties, money laundering by Ambac employees and violations of the USA PATRIOT Act, or any laws of any other country in which Ambac resides or does business, will result in disciplinary action, including termination. Any suspicious payments or any other client activity that raises questions about the source of the client’s funds should be reported immediately to your manager and the General Counsel. In the case of Ambac UK, reports should be made to the General Counsel.

Employment and Employee Relations Matters

It is our policy to comply with all applicable wage and hour laws and other statutes regulating the employer-employee relationship and the workplace environment including the prohibition of discrimination or harassment of any person in a protected class under U.S. federal and state, or other jurisdiction’s laws. No Ambac employee or director may interfere with or retaliate against another employee who seeks to invoke his or her rights under those laws. If you have any questions about the laws governing employment and employee relations matters, please contact Ambac's Group Compliance Officer.

Occupational Safety and Health

We are committed to providing a safe workplace for all employees. In addition, several laws and regulations impose responsibility on Ambac to prevent safety and health hazards. For that reason, and to protect your own safety and the safety of other employees, you are required to follow carefully all safety instructions and procedures.

Direct your questions about possible health or safety hazards at any Ambac facility immediately to Ambac's Group Compliance Officer or General Counsel.

Weapons and Workplace Violence

No employee may bring firearms, explosives, incendiary devices or any other weapons into the workplace or any work-related setting, regardless of whether or not employees are licensed to carry such weapons. Similarly, Ambac will not tolerate any level of violence in the workplace or in any work-related setting. Violations of this policy must be referred to your supervisor and the Group Compliance Officer immediately. Threats or assaults that require immediate attention should be reported to the police at the appropriate emergency number for the jurisdiction.

Drugs and Alcohol

Ambac maintains a drug-free work environment. You cannot use, sell, attempt to use or sell, purchase, possess or be under the influence of any illegal drug on Ambac premises or while performing Ambac business on or off the premises. Except at approved Ambac functions, you may not use, possess or be under the influence of alcohol on Ambac premises.

Antitrust Laws

The antitrust laws are intended to preserve competition by prohibiting actions that could unreasonably restrain the functioning of a free and competitive marketplace. The following summarizes Ambac's Antitrust Compliance Policy (the "Antitrust Policy").

- No truces. Do not fix prices, divide markets, allocate customers, or otherwise agree on any term of trade with any company that competes with Ambac.
- Keep competitive strategies confidential. Do not disclose or discuss competitively sensitive information with any competitor, including prices/premiums, discounts, surcharges, insurance capacity, capital constraints, rates of return, profits, margins, particular coverages, or new product development.
- No boycotts. Do not agree with others (competitors, suppliers, or customers) to exclude or otherwise injure a competitor, supplier, or customer.
- No cut-offs, ties or exclusives without checking with a lawyer. Do not terminate an on-going customer relationship, tie or bundle separate products, or enter into exclusive dealing arrangements without first consulting Ambac's General Counsel.
- Ask before you act. When in doubt, consult Ambac's General Counsel before engaging in the practice or discussion at issue.
- Any agreement that could limit competition in a specific market may be a violation of these laws and must be reviewed in advance by Ambac's General Counsel. Because verbal exchanges can be viewed as an agreement, you need to exercise caution whenever you meet with competitors.
- Keep your discussions to the business purpose of the meeting.

The Antitrust Policy also applies to informal contacts you may have with competitors, including those at trade shows or at meetings of professional organizations.

It is not enough to avoid taking specific actions that violate the antitrust law—you cannot even give the appearance of doing so. Adherence with the above principles is the foundation of Ambac's Antitrust Policy and must be an integral part of your business practice. Failure to comply with any aspect of Ambac's Antitrust Policy and any similar anti-competitive legislation in other jurisdictions will be deemed an act of disloyalty to Ambac and may constitute a basis for dismissal.

Part II - Your Responsibilities to Ambac

Conflicts of Interest

You are expected to avoid situations where the private interests of you or members of your family conflict with the interests of Ambac.

You must disclose any potential conflict of interest to your manager and to Ambac's Group Compliance Officer so that it can be resolved. You must disclose personal relationships you have with any parties Ambac does business with (e.g. clients, vendors, regulators, etc.). You should not have any business or financial relationship with customers, clients, vendors, consultants, law or accounting firms, rating agencies, reinsurers or competitors that could influence you in carrying out your responsibilities. This would include the ownership of stock in these companies. However, ownership of a nominal amount of stock in a publicly-owned company would not be considered a conflict unless the amount was large enough to influence you. A "nominal amount" for purposes of stock ownership would be considered \$25,000. Any level of stock ownership above this amount should be discussed with the Group Compliance Officer or General Counsel for further assessment.

You may not market products or services that compete with ours. Nor may you work for a competitor, customer, client, vendor or one of our law or accounting firms or consultants as an employee, consultant or member of its board of directors without prior written approval from Ambac's Group Compliance Officer.

If you are not sure if your situation with another organization might conflict with your job performance or Ambac's interests, you should discuss it with Ambac's Group Compliance Officer or General Counsel. Possible conflicts could include your position or that of an immediate family member as an official, employee, representative or director of a charitable or community organization, a governmental agency or authority, a political party or a candidate for any political office. Most potential conflict situations can be readily resolved once they are properly disclosed.

If you are aware of any conflicts of interest or potential conflicts of interest, you must report the same to Ambac's Group Compliance Officer.

Corporate Opportunities

As employees, officers and directors of Ambac, we owe a duty to Ambac to advance its legitimate interests when the opportunity to do so arises. You may not take for yourself personally opportunities that are discovered through the use of corporate property, information or position or use corporate property, information or position for personal gain. Nor may you compete with Ambac.

Duty of Loyalty

An Ambac employee or director must maintain the confidentiality of Ambac's business information both during and after his or her employment or affiliation with Ambac. This includes, but is not limited to, human resources and employee salary and benefits information, business strategies and plans and other proprietary information, as outlined in this Code and the relevant Ambac policies and procedures relating to confidentiality, privacy and theft of trade secrets.

An Ambac employee planning to leave Ambac may not solicit or encourage another Ambac employee to leave the employment of Ambac.

Unauthorized Use of Ambac Property or Services

You may not use the property and services of Ambac for the personal benefit of yourself or someone else unless the use has been properly approved for general employee use or for a specified purpose.

Safeguarding Ambac Assets

Each of us is responsible for protecting Ambac's assets, which include Ambac's investment in trade secrets, technology and other proprietary information as well as physical property. Managers are responsible for setting up and keeping good controls to protect assets from loss or unauthorized use.

Each of us is responsible for assisting in preventing waste and theft and in assuring the integrity of the controls.

Outside Business Activities

In addition to the responsibilities and restrictions described in this Part II, and in consideration for employment with Ambac, you must disclose to your manager any outside business activities (as described below) in which you are or will be engaged while employed by Ambac. Furthermore, you must request written preclearance from your manager and Ambac's Group Compliance Officer, who will consult with the Chief Executive Officer as appropriate, prior to engaging in any outside business activities while employed by Ambac, including serving as an employee, officer, consultant, director, advisor or other similar position for another entity. Approval for such activities may be withheld if your manager, Ambac's Group Compliance Officer or the Chief Executive Officer determines, in his or her sole discretion, that such outside business activities could be adverse to, or negatively impact, the interests of Ambac.

Notwithstanding the foregoing, you may engage in volunteer service for community or not-for-profit organizations or manage investments or assets for yourself or family members while employed by Ambac; *provided* that such activities do not (i) interfere with your responsibilities to Ambac, (ii) violate agreements binding on the employee or Ambac regarding confidentiality, proprietary information, or intellectual property, (iii) take place during your normally scheduled work hours, (iv) use Ambac resources, or (v) otherwise violate this Code of Business Conduct.

Business Arrangements and Board of Directors

Without prior written approval from AFG's Chief Executive Officer and Group Compliance Officer, you may not participate in a joint venture, partnership or other business arrangement with Ambac. Executive Officers and members of the Board must comply with the Related Party Transactions Policy as a condition to participating in such an arrangement.

Without prior written approval from the Group Compliance Officer, who shall consult with AFG's Chief Executive Officer as appropriate, employees may not serve as a member of the Board of Directors of any other company, institution or organization. Directors must comply with Ambac's Corporate Governance Guidelines.

No Solicitation or Distribution

In order to protect all staff from unwanted solicitations as well as to prevent interruptions in daily routines in the workplace, it is the policy of the Company to prohibit solicitation and distribution on its premises during work hours. "Solicitation" includes, canvassing, soliciting or seeking to obtain membership in or support for any organization, requesting contributions, offering commercial or

other goods and services for sale or purchase, distributing advertising materials, and posting or distributing handbills, pamphlets, petitions, and the like of any kind in the workplace or using company resources (including without limitation, computers, mail, e-mail and telecommunication systems, photocopiers and telephone lists and databases) for such purposes. Notwithstanding the foregoing, employees may engage in Company-sponsored activities or in passive fundraising events for charitable organizations, such as selling Girl Scout cookies, after obtaining the approval of the Company's Group Compliance Officer. Approval for such fundraising may be obtained only after submitting a written request to the Group Compliance Officer detailing the name of the charitable organization and the proposed method of solicitation (e.g., method of communication to employees, location of any materials to be distributed to employees, etc.)

Application of This Policy

All employees are responsible for becoming familiar with and adhering to this policy. In addition supervisors are responsible for ensuring that this policy is known by their employees and that all employees are following it.

Confidential and Proprietary Information

You will have access to and become knowledgeable about sensitive information that is confidential, private or proprietary and which is very valuable to Ambac or other external parties. We call this "Confidential Information." All of us are responsible for protecting Ambac's Confidential Information.

Examples of Confidential Information requiring protection include non-public financial results or trends, customer lists, materials developed for in-house use, administrative processes, policies and procedures, employee information, business plans, remediation strategies, pricing strategies and any systems, software, models, formulas, devices and compilations of information which may give Ambac a competitive advantage.

You may use or disclose Confidential Information only for Ambac's purposes and not for your personal benefit or the benefit of competing interests.

You must limit the disclosure of Confidential Information to those who have a need to know.

Your responsibilities concerning Confidential Information continue after your employment with Ambac terminates.

If your employment with Ambac terminates, you must not divulge or use Confidential Information, and you must promptly return to Ambac all documents and other materials owned by Ambac.

If you have any knowledge of unauthorized persons obtaining Confidential Information about Ambac, you should report it immediately to the Group Compliance Officer.

Non-Public Personal Information

Protecting and safeguarding the identity and privacy of our fellow employees and individuals about whom Ambac possesses non-public personal information (NPPI) is an essential requirement of your job.

NPPI includes information that is either considered private or that would reveal something about the individual that is not already known to a non-privileged third-party, particularly within the

context of a financial transaction or a medical condition. NPPI includes, but is not limited to an individual's:

- Name
- Social Security number
- Credit or debit card numbers
- State or Federal identification card numbers
- Driver's license number
- Date of birth
- Types and amounts of investments and loans
- Bank account information
- A security code, access code, or password that permits access to a financial account or other personal account
- Credit information

While it may appear as though some items are not NPPI, you should still treat them as such. A name, for example, may be found in the phone book or in some other public format, leading one to argue it is a matter of public record. While a name, alone, might be a matter of public record, having the name in relationship to some event or other piece of information is not - such as:

- A phone number provided as part of a loan application may be an unlisted number that is not a matter of the public record.
- A loan could reveal something about the person that wasn't already known and could not have been otherwise discovered by a non-privileged third party.

All third-party information in your care is to be treated as NPPI. You are solely responsible for NPPI while it is in your custody, and you must ensure that it is not shared with unauthorized parties, altered, lost, destroyed or otherwise used inappropriately. You have the following specific responsibilities:

- You must provide adequate protection for documents and other materials containing NPPI while they are in your custody in accordance with Ambac policies and procedures.
- You must not utilize NPPI for any purpose other than the purpose for which you have been granted access.
- You must not disclose NPPI to anyone unless you know from a designated authority that the individual has been granted access to the NPPI and that the individual has the need to know the NPPI to perform his or her job.
- You must properly return documents and other materials containing NPPI to an authorized owner or custodian of the item being returned.
- You must report the existence of unattended and unsecured NPPI to an NPPI custodian.
- You must immediately notify the owner of a document or other materials containing NPPI, if you suspect or are aware of a breach, alteration, destruction, loss or any unauthorized use of NPPI.
- Your responsibilities concerning NPPI continue after your employment with Ambac terminates. Specifically, you must not divulge or use any NPPI, and you must promptly return all documents and other materials containing NPPI to Ambac at termination.

Inventions, Ideas and Work

You are required to assign to Ambac your entire right, title, and interest in any invention, idea or work, which is conceived or made solely or jointly by you while employed by Ambac and which

relates in any manner to the business, research, or other activities of Ambac or results from the assignment or performance of any task by you on behalf of Ambac. If requested, you must execute a specific assignment of title to Ambac for any such invention, idea, or work and you are required to take all reasonable actions necessary to enable Ambac to secure patent, copyright or other protection in the United States or other countries (as appropriate).

Media Contact and Public Discussion

The SEC's Regulation FD and other jurisdictional regulatory rules prohibit the selective disclosure (whether in one-on-one or small discussions or meetings, in a presentation or proposal or otherwise) of any material non-public information with respect to Ambac, its securities, business operations, plans, financial condition, results of operations, or any development or plan. You should be particularly vigilant when making presentations or proposals to external constituents to ensure that our presentations do not contain material, non-public information.

News media contact and responses and public discussion of Ambac's business should only be made through Ambac's Investor Relations and Corporate Communications Officer or other Authorized Spokespersons specified in Ambac's Regulation FD Policy. Please refer to our Regulation FD Policy for further information.

If you are contacted by news reporters you should refer them to Ambac's Investor Relations and Corporate Communications Officer.

Regulatory rules prohibit the selective disclosure of material non-public information to persons who may trade on the basis of such information. Broad based public disclosure of such information must be made simultaneously to all. Disclosure of all non-public information will be made by or in coordination with Ambac's Investor Relations and Corporate Communications Officer or Chief Financial Officer, in consultation with the General Counsel.

Failure to observe this policy can cause serious harm to Ambac and spread misinformation.

We, of necessity, must exercise particular care when considering the release of information of a sensitive or material nature, the disclosure of which could influence the judgment of investors to buy, sell or hold Ambac's securities.

Please refer to Ambac's current "Insider Trading Policy" for further information.

Communicating with Regulators and Others

In the event of an inquiry from an industry regulator -- via telephone, mail or personal visit -- other than the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI"), an Ambac employee or director must contact Ambac's General Counsel or the Corporate Secretary immediately by telephone or e-mail without delay.

The General Counsel or the Corporate Secretary will be responsible for coordinating the response to the regulator, including any requests for interviews with employees as well as requests for the production of documents. The General Counsel should participate in any interviews conducted by a regulator with our employees and complete necessary requests for confidentiality under the U.S. Freedom of Information Act or similar non-U.S. law.

Requests from regulators for information should be answered with complete, factual and accurate information. During an inspection or examination, Ambac employees, officers and directors must not conceal, destroy or alter any documents, lie or make any misleading statements to any regulatory agency representative or cause another person to do the same.

If an Ambac employee or director is served with legal documents (e.g., a subpoena), he or she must notify the General Counsel or the Corporate Secretary immediately by telephone or e-mail, and the documents are to be sent to them without delay.

For the past several years, Ambac Assurance has been disclosing information to OCI on an ongoing basis. That information has generally related to Ambac Assurance's financial condition, insured portfolio, investment portfolio and loss mitigation activities. In the case of requests for information and questions from OCI which relate to such matters, OCI's requests for information and questions should be answered with complete, factual and accurate information on a timely basis. To the extent that any such requests for information and questions appear to involve matters beyond the scope of normal, ongoing communications between Ambac Assurance and OCI, such matters should be referred to Ambac's General Counsel or the Corporate Secretary by telephone or e-mail without delay.

Insider Trading

Federal law prohibits employees, officers, directors and others from buying or selling a company's securities based on inside information that could affect the price of the securities.

You may buy and sell Ambac securities or securities of an issuer or obligor whose underlying obligations have been insured previously by Ambac, or are currently being underwritten to determine whether they qualify for insurance by Ambac. However, you may not buy or sell securities at a time when you have inside information of a material nature. This rule applies even if Ambac has not declared a "no trading" period. You must wait until that information becomes publicly available. If you are not sure if information is of a material nature, please check with the General Counsel or Ambac's Corporate Secretary.

Inside information that might be material includes dividend changes, earnings estimates, significant business developments, expansion or curtailment of operations, sale or purchase of substantial assets or other activity of significance.

In addition, you may not give such information or tips to family, friends or anyone outside Ambac so that they can trade on the basis of inside information.

Ambac separately issues to each director, officer and employee our "Insider Trading Policy" which contains detailed guidelines and procedures to prevent insider trading with respect to Ambac Securities, Ambac Insured Securities, and other publicly traded securities. Our policies go beyond the requirements of the law summarized above. They may preclude you from trading in Ambac securities and Ambac Insured Securities during certain Ambac-imposed "no-trading" periods even if you do not possess material non-public information. Our policies may also preclude you from trading in other publicly traded securities if they are included on a restricted list that may be issued from time to time.

Prohibition on Hedging

Our Insider Trading Policy prohibits you from making short sales or engaging in transactions involving puts, calls and other types of options in Ambac securities, including equity swaps and similar derivative transactions. Short-range speculation based on fluctuations in the market is strictly prohibited. These activities may put your personal gain in conflict with the best interests of Ambac and its stockholders. The purpose of this restriction is to avoid even the appearance that Ambac's employees are speculating in Ambac securities for personal gain. You are expected to be familiar with and to comply with our policies.

Part III - Business with all Governments

Special Nature of Government Business

Ambac conducts business with a variety of government entities and agencies in the United States and around the world, including states, counties, municipalities, and school districts. Ambac also interacts with a variety of government agencies, including insurance regulatory authorities. Ambac is committed to conducting its business with all government entities and agencies with the highest ethical standards and in compliance with applicable laws and regulations, including requirements associated with government contracts and transactions.

To protect the public interest, governmental authorities have enacted laws and regulations which must be met by private contractors. These laws and regulations are often harsh and impose strict requirements on contractors which are significantly different and more extensive than those we encounter in our commercial contracts.

Since these laws involve the public trust and their violation often involves criminal sanctions, it is essential that there be strict compliance with all laws and regulations -- in both letter and spirit -- in transacting business with the government.

In conducting government business, it is essential that the terms of the contract with the government be complied with strictly. No deviations or substitutions should be made without the written approval of the government contracting officer or other authorized government representative.

Contract Negotiation and Pricing

Law often requires prospective government contractors to submit complete, current, accurate and verifiable factual information relating to contract negotiation and pricing called "cost or pricing data," up through the date of the agreement on contract price. Discrepancies can lead to a claim of defective pricing that could result in financial penalties and possible criminal charges against Ambac and the individuals involved.

You should be prepared during the negotiation process to explain the significance of all important facts concerning a contract proposal and to certify the accuracy of the factual information you provide.

You should take extra care in the preparation of "cost or pricing data" before giving it to the person responsible for submitting the proposal to the respective government authority. Any changes affecting the cost or pricing data must be reported immediately.

Subcontracting

Special procedures must be followed when purchasing materials and services from other companies for use in government contracts. Many government contract requirements must be passed down to our subcontractors and suppliers. You should ensure that all these required provisions are incorporated into our subcontracts.

Product/Service Specifications

All products and services must conform exactly to the specifications called for in the contract. No substitutions or deviations are permitted.

You must have the prior written approval of an authorized government representative before making any changes in a contract's requirements.

Recording and Charging of Costs

Only those costs incurred in the performance of, or allocated to, a specific contract may be reimbursed by the government. Mischarging of costs is a serious offense.

Every effort must be made to ensure that all costs, both direct and indirect, are charged to the correct contract. Any change of records or transfer of costs for accounting purposes must be documented and properly approved.

You must be sure that your work is accurately recorded on your time sheets as it was performed and that it is charged to the correct contract.

No one is authorized to permit or require you to deviate from appropriate charging practices.

You should immediately report any suspected deviations from proper charging practices to Ambac's Group Compliance Officer.

Hiring of Former Government Employees or Employees of Outside Auditor

Many governmental and regulatory bodies have enacted specific rules to eliminate even the appearance of a conflict of interest by former government employees who work for government contractors or for former employees of our outside auditor.

Prior to discussing the employment or possible retention as a consultant of any current or former government employee, whether military or civilian, or employee of Ambac's outside auditor, you should obtain clearance from Ambac's Group Compliance Officer. If the employment or retention is for AUK you should obtain clearance from the AUK General Counsel, as applicable.

Kickbacks

Most jurisdictions forbid prime contractors and subcontractors to offer, solicit, provide or accept any gift, money or other thing of value for the purpose of improperly obtaining or rewarding favorable treatment in connection with government prime contracts and subcontracts.

Most jurisdictions also require Ambac to report violations to the government where we have reasonable grounds to suspect a violation exists.

Foreign Corrupt Practices Act

Under the U.S. Foreign Corrupt Practices Act, it is illegal for you or for an agent or consultant on behalf of Ambac, to give anything of value, directly or indirectly, to a foreign official, a foreign political party or a candidate for foreign political office if doing so could be reasonably understood to be part of an effort to obtain or retain business for Ambac. In countries where it is customary to give gifts to officials in a business context, you may do so, but only with approval from Ambac's Group Compliance Officer and only if the gifts have nominal value and cannot be interpreted as part of an effort to obtain special favors. No payment to any foreign official or entities should be made either by you or an agent or consultant on behalf of Ambac without consulting Ambac's Group Compliance Officer to determine whether the payment would be prohibited.

Part IV- Computers, Electronic Mail, Internet, Telephone, Facsimile Machines and Voicemail ("Computer and Telecommunication Resources")

Overview

As is true with written communication within the workplace, data transmitted, recorded or stored by you on Ambac's "Computer and Telecommunication Resources" (as defined below) may lead to liability for Ambac. We have established policies regarding the monitoring and use of Ambac's Computer and Telecommunication Resources in the workplace to protect Ambac and you from possible liability.

By "Computer Resources" we mean use of Ambac-owned PC's, laptops or wireless devices as well as e-mail, the Internet, Intranet and any other online services that you may access using Ambac's computers.

By "Telecommunication Resources" we mean use of Ambac-owned telephones and cellular phones, facsimile machines and voicemail.

Use of Computer and Telecommunication Resources

Your use of Ambac's Computer and Telecommunication Resources must be primarily for business purposes.

The Computer and Telecommunication Resources are Ambac property. This includes all messages recorded or distributed, and all information stored by employees on Ambac Computer and Telecommunication Resources. Reasonable and limited personal use of Computer and Telecommunication Resources is permitted so long as such use does not interfere with your professional responsibilities. It is recommended that, whenever possible, any personal use occur during non-business hours. Furthermore, personal use of Computer and Telecommunication Resources (i) will be subject to review by your manager to verify the reasonableness and limited nature of such use and non-interference with professional responsibilities and (ii) will be subject to the Monitoring Policy set forth below.

You should have no expectation of privacy or confidentiality with respect to Computer and Telecommunication Resources.

When you use Computer and Telecommunication Resources, you should apply the same degree of care, sensitivity and professionalism as you would when communicating in writing on Ambac letterhead.

You may not send by e-mail or other form of electronic communication or post to, display on, or store in, Ambac's computers or on the Internet fraudulent, harassing, embarrassing, indecent, profane, obscene, intimidating, threatening, discriminatory or other unlawful material. You may not use Ambac's Computer and Telecommunication Resources to transmit or store commercial or personal advertisements, solicitations, promotions, destructive programs (viruses and/or self-replicating code), political material or for any other unauthorized use. If you encounter or receive any such material you should immediately report the incident to Ambac's Group Compliance Officer.

Abuse of Ambac's Computer and Telecommunication Resources will subject you to disciplinary action, including possible termination of employment.

Laptops, CD, DVD, or USB flash drives (all external storage devices) and/or other computing devices (such as hubs/switches/wifi access points) may not be connected to Ambac's internal network or desktop workstations without prior inspection.

Specialized systems are in place to protect Ambac computers from exposure to computer viruses but there remains a strong possibility that laptops and/or computing devices not issued by the Technology Department may introduce damaging agents to Ambac's network. Laptops and/or mobile devices that necessitate connection to Ambac's network located at One State Street or any other Ambac owned facility must be inspected by the Technology Department prior to attachment. This includes equipment used during vendor demonstrations where Internet access is required or guests equipped with personal devices. All employees should take precautions with regard to any activity that may introduce damaging agents to Ambac's computing environment.

Monitoring Policy

Ambac reserves the right to monitor your use of Computer and Telecommunication Resources without notice or consent. As a result of this monitoring policy, you should have no expectation of privacy or confidentiality in your use of Computer and Telecommunication Resources even though you may use security features such as personal passwords.

The Technology Department in consultation with Ambac's Group Compliance Officer, is responsible for monitoring. No employee is permitted to access another employee's Computer and Telecommunication Resources unless urgent business reasons require access. Only those employees who have been approved by the Technology Department will be permitted to conduct monitoring.

Ambac has established the following business reasons for monitoring Computer and Telecommunication Resources. These reasons are in addition to random monitoring which is done in the normal course of business to ensure maintenance of overall systems and reliability.

This is only a partial, not a complete list of reasons for monitoring:

- To determine if any personal use of Computer and Telecommunication Resources is reasonable and limited in nature.
- To determine if you are using Computer and Telecommunication Resources in a way that could adversely impact the business interests or reputation of Ambac.
- To determine if your uses of Computer and Telecommunication Resources are illegal and could expose Ambac to legal liability.
- To investigate suspected misconduct.
- To prevent you from making or distributing discriminatory or harassing statements.
- To monitor your compliance with copyright laws.
- To ensure that you are handling Ambac trade secrets and other confidential information properly.
- To monitor your compliance with securities laws and regulations, including with regard to insider trading.
- To monitor your compliance with the Ambac Code of Business Conduct, any other Ambac policies, and those of its subsidiaries.

You should understand that anything stored on the local disk drive is subject to the same monitoring policy (see above) as information stored on the network. You should also be aware that any information stored on the network will also be maintained on backup files (in accordance with established retention schedules) even if you subsequently delete such files. Additionally, the telephone lines used by those persons who may be engaged in securities related transactions at One State Street Plaza, New York may be recorded.

Retention and Security of Documents and E-Mail Messages

E-mail messages and other items stored on Computer Resources are Ambac property and may constitute Ambac business records. As such, they may have the same legal status as a hardcopy of a business document and may be discoverable as evidence in litigation proceedings. Accordingly, all e-mail messages should be treated as though they may be viewed by outsiders. E-mail messages that are not deleted as well as documents stored on the network are backed up daily and can be restored for a period.

Information Security Policy

The *Ambac Information Security Policy* is established, approved and implemented based upon on relevant regulations and best information security practices. The purpose of the *Ambac Information Security Policy* is to assure the security triad: confidentiality, integrity and availability with respect to of Ambac's information assets.

- Confidentiality: Addresses preserving restrictions on information access and disclosure so that access is restricted to only authorized users and services.
- Integrity: Assures that the data or information system can be trusted; that it is edited by only authorized persons and remains in its original state when at rest. Integrity addresses the concern that data has not been modified or deleted in an unauthorized and undetected manner.
- Availability: Ensures timely and reliable access to and use of information-data and information systems are available when required.

Effective security is a team effort involving the participation and support of every Ambac Employee and affiliate who deals with Ambac information and/or systems. It is the responsibility of every Ambac computer and network user to abide by the *Ambac Information Security Policy*, and to conduct their activities accordingly.

All employees are required to participate in the "Information Systems and Data Security Awareness Annual On-Line Training Course" to ensure awareness of, and compliance with, the *Ambac Information Security Policy*.

Copyright Law and the Internet

Copyright protection in the United States and usually in other jurisdictions commences automatically at the moment of creation of an author's work in any tangible medium, regardless of whether the author's work is clearly marked or unmarked as being copyrighted. All original works, whether marked to indicate copyright protection or not, automatically receive copyright protection in the United States and usually in other jurisdictions. At the moment of creation of a work, protection is provided simultaneously for such work in most other countries of the world via copyright multilateral and/or bilateral treaties or agreements. Copyrighted materials include not only text, but also pictures, video and sound.

You are required to comply with the terms of all software licenses, use agreements for Internet site access, downloading provisions and all other U.S. state, federal, and other jurisdictional laws governing all forms of intellectual property that you may encounter on the Internet.

You are prohibited from storing, using, reusing, reproducing, printing, disseminating or forwarding to other employees any authored works without the author's or its agent's express written permission. Even with permission, you are cautioned from freely forwarding authors' works outside of Ambac.

Obligation to Ensure the Security of Proprietary Systems and Data

Employees frequently find it convenient for business purposes to transfer proprietary business data in the form of documents or database files from Ambac's network via methods such as e-mail, remote-control, CD, DVD or USB flash drives.

You should not duplicate business data on your home computers with the sole reason being to have the convenience of a back-up copy. You are obligated to ensure that current versions of Ambac data always reside on the Ambac network so as to ensure security as well as primary accountability.

Further, you must use extreme care when exposing Ambac's network to any information transferred from a home computer or personal device via such methods as the USB port, e-mail or the CD/DVD drive since destructive viruses or other information may infiltrate the Ambac network in the process.

For transfer of data to external parties using physical medium (such as CD, DVD, HD, USB, etc.), all information contained within must be encrypted prior to leaving Ambac premises.

Internet Usage

Your use of the Internet must be primarily for business purposes. Reasonable and limited personal use of the Internet is permitted so long as such use does not interfere with your professional responsibilities. It is recommended that, whenever possible, any personal use occur during non-business hours. Personal use of the Internet (i) will be subject to review by your manager to verify the reasonableness and limited nature of such use and non-interference with your professional responsibilities and (ii) will be subject to the Monitoring Policy set forth above.

To prevent any situations which could cause embarrassment to Ambac and to maintain control over sites to which Ambac is exposed,

- You are prohibited from accessing certain non-business sites including sex, gambling, hate speech, criminal skills, "chat rooms", web blogs and other obviously questionable sites.
- You are prohibited from posting defamatory, inappropriate or unprofessional statements on the Internet about a person, product, or organization.
- You are prohibited from posting to any message board, social networking site, "chat room" or web blog information regarding Ambac, Ambac's directors, officers or employees.
- You are prohibited from posting to any message board, social networking site, "chat room" or web blog any confidential information you may have received regarding Ambac, Ambac's competitors, clients or business partners.

The freedom of access to information provided by the Internet may make it relatively easy for you to misuse the Internet to access or transmit obscene or indecent material. Such conduct is prohibited by this Code. Potential litigation may arise from this conduct, including allegations of sexual harassment. You are prohibited from downloading, uploading or otherwise installing, storing, accessing or displaying obscene, indecent or pornographic material on Ambac equipment.

Unlike more formal means of business communication, the informality of the Internet may lead you to make inappropriate or unprofessional statements informally on the Internet that you would not otherwise make in more traditional forms of communication. Therefore, you are directed to use the same degree of care, sensitivity and professionalism when using the Internet as you would when communicating in writing on Ambac letterhead.

An "audit trail" of sites visited and e-mail messages sent by you, even if deleted, may in actuality have been retained in system storage or back-up within Ambac or within the external Internet locations to which you have been connected or with which they have been in contact, even if only briefly. These may be retrievable and subject to subsequent production and disclosure in litigation. For example, if you went to a "hate mail" website or a pornography website, even if just for a moment out of curiosity, records would be left in those servers' log files identifying the user as being from Ambac. This could lead to individual liability for you or could damage Ambac's reputation or create corporate liability for Ambac.

Abuse of the Internet may subject you to disciplinary action, up to and including termination of employment.

Use of Software

One form of intellectual property that we acquire is computer software.

In addition to being copyrighted, computer software programs are usually subject to license agreements. These agreements restrict your use of the software. For example, a license may prohibit copying of the programs and restrict its use to a specified computer.

You should not copy software or use it on a different computer unless the license agreement permits such copying or use.

Any authorized copies shall contain the proper copyright and other required notices of the vendor.

You should read and understand the software agreements governing the software you use and obtain assistance to understand the limitations on the use and copying of the software.

If you wish to use any software on Ambac's computers, you must first obtain approval from both your supervisor and the Technology Department and have the software tested by the Technology Department to assure application integrity and software compatibility with Ambac's computer environment. However, if we give you permission to use personal software, Ambac is not responsible for any damage to your personal software or any losses you may incur.

If you use personal software without our authorization and testing, in addition to any disciplinary action which we may take against you, we will hold you personally liable for any damage to Ambac-owned equipment or losses incurred by Ambac.

Part V - Assistance and Compliance

Materials Supporting the Code

Many of the policies contained in the Code are supported by the issuance, from time to time, by Ambac of detailed procedures and practice materials. These specialized materials are intended to provide you with more specific directions concerning everyday business practices and behavior. For example, an employees' handbook addressing human resources policies and procedures is available to each employee on Ambac's Intranet.

Assistance

We all share a responsibility to protect Ambac's reputation.

It takes courage to raise an ethical issue -- especially if it involves a situation in your work area. However, Ambac will support you in carrying out your responsibility.

If you have any questions about this Code, you should contact the Group Compliance Officer.

The best course of action when you have an ethical problem is to discuss it with someone. You should consult your manager, Ambac's Group Compliance Officer or General Counsel or any other appropriate individual in Ambac when you need assistance.

Exceptions

No set of policies can cover all the situations you will encounter. All policies have exceptions.

If you encounter a situation where the application of a policy contained in this Code seems inappropriate, consult with Ambac's Group Compliance Officer or General Counsel to determine if an exception is in order.

Individual Judgment

Remember to always use your good judgment and common sense. This Code is intended to reflect the collective good judgment and common sense of all of us. Whenever you see a situation where this is not the case, you have the responsibility to explain why, so that it can be changed.

When you deal with a particular situation, considering the following factors may help you arrive at a satisfactory answer:

- Does my action conform to the spirit of this Code?
- Does my action give the appearance of impropriety?
- Is my action consistent with approved Ambac practices?
- Will the action bring discredit to an employee, a director or Ambac if disclosed?
- Can I defend my action to my manager, other employees and to the general public?

Annual Certification

All directors, officers and employees are required to certify to Ambac on an annual basis that they have read and will comply with the Code and that they have reported all potential and actual conflicts of interest and possible violations of the Code.

As a condition to employment, each new employee is required to sign an annual certification. Current employees who fail to sign the annual certification will be subject to termination.

Each certification signed by a director, officer or employee is retained by Ambac.

Oversight by the Governance and Nominating Committee of the Board of Directors

The Governance and Nominating Committee of the Board of Directors of Ambac is charged with oversight responsibility for ensuring that Ambac is properly implementing and monitoring the enforcement of the Code. Ambac's Group Compliance Officer, who is designated by the Ambac Board of Directors to administer the Code, is required to report to the Committee annually regarding any investigations, allegations and resolution of violations, as well as periodically when appropriate. In addition, Ambac's Internal Audit Department is required to audit the program and report to the Committee annually regarding adherence to policies and procedures.

This Code of Conduct and other Ambac policies and procedures may be updated or amended from time to time. Ambac employees, officers and directors are required to stay informed of any updates or amendments, and to comply with all provisions of this Code. The Code of Conduct can be viewed on Ambac's Internet website at www.ambac.com and on Ambac's Intranet site.

Waivers of the Code

Ambac will waive application of the policies set forth in this Code only where circumstances warrant granting a waiver, and then only in conjunction with any appropriate monitoring of the particular situation. Waivers of the Code for Directors, Executive Officers, Treasurer, Director of Investor Relations and Corporate Communications and Controller of Ambac or any Ambac subsidiary may be made only by the Board of Directors as a whole or the Governance and Nominating Committee of the Board of Directors and must be promptly disclosed as required by law or regulation. Waivers of the Code for all other employees may be made only by the Group Compliance Officer. Any such waiver will be reported to the Governance and Nominating Committee at the next regularly scheduled Governance and Nominating Committee meeting.

No Rights Created

This Code is a statement of the fundamental principles and key policies and procedures that govern the conduct of Ambac's business. It is not intended to and does not create any rights in any employee, director, client, supplier, competitor, stockholder or any other person or entity.

Remember

Ultimate responsibility to ensure that we as a company comply with the many laws, regulations and ethical standards affecting our business rests with each of us. You must become familiar with and conduct yourself strictly in compliance with those laws, regulations and standards and Ambac's policies and guidelines pertaining to them.

Part VI - Reporting Suspected Violations of Law or of the Code

General Policy

As part of our commitment to ethical and legal conduct, we expect you to bring to the attention of Ambac's Group Compliance Officer or General Counsel (or any of the people he or she designates) information you have about suspected violations of any law or regulation or of the Code by any Ambac employee, director or agent. You are required to come forward with any such information, without regard to the identity or position of the suspected offender. We will treat the information in a confidential manner, consistent with appropriate evaluation and investigation and protection of Ambac's interests, and will seek to ensure that no acts of retribution or retaliation will be taken against anyone for making a good faith report.

Because failure to report criminal activity can itself be understood to condone the crime, we emphasize the importance of reporting. Failure to report knowledge of wrongdoing may result in disciplinary action against those who fail to report.

Complaint Procedure

Notification of Complaint

You should report information about known or suspected violations of the Code by any employee, director, consultant or agent promptly to Ambac's Group Compliance Officer. We ask that, whenever practical, you do so in writing.

Ambac's Corporate Reporting Hotline and Website

If you have concerns regarding Ambac's accounting, internal accounting controls or auditing matters, you may follow the Notification of Complaint procedure described above. Ambac's Audit Committee has also established a Corporate Reporting Hotline that provides employees a way to report anonymously any concern they may have regarding Ambac's accounting, internal accounting controls or audit matters. The Corporate Reporting Hotline is available 24 hours a day, seven days a week, 365 days a year.

The Corporate Reporting Hotline is operated by a third-party representative. Calls to the Corporate Reporting Hotline will not be traced or recorded and callers can choose to remain anonymous if they wish. All calls to the hotline will be referred and transmitted to our Corporate Secretary and the Chair of the Audit Committee, and will be handled in a confidential manner. Ambac encourages employees, officers and directors to report concerns so that they may be addressed promptly.

Corporate Reporting Hotline: (US) 1-800-372-4287.

Instructions to access our Corporate Reporting Hotline from our foreign office in the U.K. toll-free are listed below.

Dial this number when calling from **The United Kingdom**:
If using British Telecom: **0-800-89-0011 THEN DIAL** (888) 420-8821

Detailed dialing instructions for dialing the U.K. are also available at:
http://www.usa.att.com/traveler/access_numbers/index.jsp

Corporate Reporting Website: <https://ambac.silentwhistle.com>. Ambac employees are provided with this web-based submission tool which gives you an avenue to create an anonymous complaint and provide additional feedback on an already submitted complaint where necessary. We have established this system to enhance communication in Ambac and to provide employees with a means to anonymously communicate with Management online. We respect and value each of your opinions, and hope you will feel comfortable using this website to communicate your feedback.

This confidential reporting system has been developed for the receipt, retention, and treatment of complaints received by Ambac regarding accounting, internal accounting controls, or auditing matters, as well as unethical or potentially unlawful activity, including corporate fraud, securities violations and violations of this Code or other corporate policies. All submissions are made anonymously if that option is selected and will be directed to the attention of the Corporate Secretary and Chair of the Audit Committee in the same manner as an anonymous phone call made to the hotline.

Investigation

Reports of suspected unlawful or unethical activity will be investigated under the Ambac Group Compliance Officer's supervision, if the Group Compliance Officer deems it appropriate. When the Group Compliance Officer determines that a suspected violation requires action or a more formal investigation, the Group Compliance Officer shall report the findings to Ambac's General Counsel for advice and further instructions. Employees, officers and directors are expected to cooperate in the investigation of reported violations.

Confidentiality

To the extent practical and appropriate under the circumstances to protect the privacy of the persons involved, Ambac's Group Compliance Officer will not disclose the identity of anyone who in good faith reports a suspected violation of law or unethical activity or who participates in the investigation. Employees, officers and directors should be aware that the Group Compliance Officer, and those assisting the Group Compliance Officer, are obligated to act in the best interests of Ambac, and do not act as personal representatives or lawyers for employees, officers or directors.

Protection Against Retaliation

Retaliation in any form against an individual, who in good faith reports any unethical or potentially unlawful activity, including corporate fraud, securities violations and violations of this Code or other corporate policies, even if the report is mistaken, or who assists in the investigation of a reported violation, is itself a serious violation of this Code. Acts of retaliation should be reported immediately and will be disciplined appropriately.

Discipline for Violations

All employees, officers and directors are expected to adhere to this Code. If Ambac's Group Compliance Officer concludes, after appropriate investigation, that this Code has been violated -- whether by unlawful actions, condoning or failing to report violations of this Code by others, retaliation against those who report suspected wrongdoing, or otherwise -- the Group Compliance Officer will report the violation to Ambac's General Counsel. Those officers are then authorized to formulate and recommend appropriate disciplinary action, up to and including termination. In formulating appropriate disciplinary action, prior conduct may be taken into account along with the facts and circumstances surrounding the violation and the Executive Officer in charge of the affected business unit will be consulted.

In considering what discipline is appropriate, employees, officers and directors who come forward to inform the Group Compliance Officer about their own violations of law or of this Code will be treated with appropriate leniency.

Ambac's UK Whistleblowing Hotline

In the United Kingdom, Ambac is also required to adopt internal procedures to encourage their personnel with concerns about matters which are relevant to the functions of the FCA to “blow the whistle.”

Ambac takes business failures seriously and personnel who raise concerns are guaranteed that their confidentiality will be respected and that they will be protected from reprisals, however, false and malicious allegations will be penalized. Concern should be raised internally initially, if possible with the General Counsel or otherwise on the FCA's Whistleblowing hotline by calling: +44 (0)20 7066 9200 during office hours or by leaving a message on voicemail or by e-mail at: whistle@fsa.gov.uk. Conduct which conflicts with the functions of the FCA, are criminal offence, failure to comply with any legal obligation, miscarriage of justice, putting the health and safety of any individual in danger, damage to the environment or deliberate concealment relating to any of the foregoing. Alternatively, concerns can also be raise by contacting the PRA's Whistleblowing hotline on +44(0) 203 461 8703 during office hours or by email at PRAwhistleblowing@bankofengland.co.uk.

Part VII - Key Officers and Telephone Numbers
(as of December 13, 2016)

Ambac, Compliance

Stephen Ksenak, Esq.

Senior Managing Director, General Counsel and Group Compliance Officer
212-208-3128

David Trick

Executive Vice President, Chief Financial Officer and Treasurer
212-658-7508

Ambac, Legal

Stephen Ksenak, Esq.

Senior Managing Director, General Counsel and Group Compliance Officer
212-208-3128

William White, Esq.,

Corporate Secretary and Assistant General Counsel
212-658-7456

Ambac Assurance UK Limited Local Legal & Compliance

John Tifft

Chief Executive Officer
011 44 207 786 4318

Sandra Reddy

General Counsel

011 44 207 786 4352

Ambac, Investor Relations and Corporate Communications

Abbe Goldstein

Managing Director, Investor Relations and Corporate Communications
212-208-3177