

EXHIBIT B

E-filed January 13, 2010

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13 UNITED STATES BANKRUPTCY COURT

14 DISTRICT OF NEVADA

15 In re

Chapter 11

16 LAS VEGAS MONORAIL COMPANY,
a Nevada non-profit corporation,

No. BK-S-10-10464-LBR

17 Debtor.

18 Date of Hearing: TBD
Time of Hearing: TBD
19 Location: 300 Las Vegas Blvd. South
Courtroom #1
20 Las Vegas, Nevada 89101

21
22 **DECLARATION OF SCOTT ZUCHORSKI IN SUPPORT OF**
23 **MOTION OF AMBAC ASSURANCE CORPORATION FOR DISMISSAL**
24 **OF CHAPTER 11 PROCEEDING PURSUANT TO 28 U.S.C §1334**
25 **AND SECTIONS 109(d) AND 1112(b) OF THE BANKRUPTCY CODE**
26

1 Scott Zuchorski declares as follows:

2 1. My name is Scott Zuchorski. I am currently a Vice-President in the Restructuring
3 Group at Ambac Assurance Corporation ("Ambac"). I have held this position since the group
4 was formed in May 2009. Ambac is a Wisconsin-domiciled stock insurance corporation
5 regulated by the Office of the Commissioner of Insurance of the State of Wisconsin.
6

7 2. I joined Ambac in July 2002 as an analyst in Ambac's Public Finance Portfolio
8 Risk Management division. From January 2004 to January 2006, I worked as an Assistant Vice-
9 President in the same division. In January 2006, I became a Vice-President in the division. I held
10 such title until May 2009, when I assumed my present position.

11 3. In my current position, I am responsible for the management of Ambac's various
12 interests in distressed or troubled transactions in Ambac's book of business. I have personally
13 been involved in the management of Ambac's interests with respect to the Las Vegas Monorail
14 Company ("LVMC") since August 2005, when I became the surveillance analyst responsible for
15 the LVMC transaction. Since August 2005, I have, among other things, analyzed the ridership
16 and revenues of LVMC, visited various locations of LVMC, discussed numerous business and
17 legal issues with LVMC and its constituency in the State of Nevada, and generally monitored
18 Ambac's interests with respect to LVMC.
19

20 4. I make this Declaration in support of Ambac Assurance Corporation's Motion For
21 Dismissal of Chapter 11 Proceeding Pursuant to 28 U.S.C. § 1334 and Sections 109(d) and
22 1112(b) of the Bankruptcy Code (the "Motion").¹
23
24
25

26 ¹ All terms not otherwise defined herein shall have the meaning ascribed to such terms in the Motion.

1 5. I have personal knowledge of the facts set forth herein, or have learned these facts
2 from persons and sources who reported to me or upon whom I relied in the ordinary course of
3 duties and responsibilities as a Vice-President of the Restructuring Group. The documents
4 attached to this Declaration were copied or prepared in the ordinary course of business by Ambac
5 employees. In addition, I am generally familiar with all of the documents referenced in this
6 Declaration, including, without limitation, the Tax Certificate and Agreement, dated September
7 20, 2000 (the "Tax Agreement"), between LVMC and the Director of the State of Nevada
8 Department of Business and Industry (the "Director"), LVMC's Articles of Incorporation, and
9 LVMC's Bylaws. (True and correct copies of the Tax Agreement, LVMC's Articles of
10 Incorporation, and LVMC's Bylaws are attached hereto as Exhibits "A", "B" and "C"
11 respectively).
12

13
14 6. If called to testify, I am competent to attest to the facts set forth herein.

15 **LVMC and the Monorail**

16 7. LVMC owns and manages the Las Vegas Monorail (the "Monorail"). The
17 Monorail is a seven-stop, elevated train system that travels along a 3.9-mile route near the Las
18 Vegas Strip.
19

20 8. In 2000, LVMC was organized by the State of Nevada as a nonprofit corporation.
21 LVMC is exempt from federal income taxation and from state sales and use taxation. LVMC's
22 Articles of Incorporation provide that LVMC was organized to acquire, develop, operate,
23 maintain and improve the Monorail, and to obtain financing for the acquisition, construction,
24 installation, operation, maintenance and improvement of the Monorail. As a tax-exempt
25
26

1 nonprofit corporation, all of LVMC's property, assets, profits and net revenues are irrevocably
2 dedicated to the public purposes for which it was formed.

3 9. The Monorail was originally owned by MGM Grand-Bally's Monorail Limited
4 Liability Company (the "Original Owner"), a joint venture between MGM Grand Monorail, Inc.,
5 and Bally's Grand, Inc. In 2000, the Original Owner sold the Monorail to LVMC.
6

7 **LVMC Certifies it is a State Instrumentality in Connection with the Bond Financing**

8 10. LVMC financed its acquisition of the Monorail with the proceeds of the following
9 three series of tax-exempt governmental bonds issued by the Director: (a) the \$451,448,217.30
10 original principal amount 1st Tier Series 2000 (the "1st Tier Bonds"); (b) the \$149,200,000
11 original principal amount 2nd Tier Series 2000 (the "2nd Tier Bonds" and, collectively with the
12 1st Tier Bonds, the "Senior Bonds"); and (c) the \$48,500,000 original principal amount 3rd Tier
13 Series 2000.
14

15 11. In connection with the Director's issuance of the Bonds, LVMC certified,
16 acknowledged and agreed under Section 1.8 of the Tax Agreement that it is "an instrumentality of
17 the State of Nevada" and is "controlled by the Governor of the State of Nevada."
18

19 12. Ambac insured the payment of scheduled amounts of principal and interest on the
20 1st Tier Bonds pursuant to its Municipal Bond Insurance Policy Number 17548BE, dated
21 September 20, 2000 (the "Policy"). Ambac also guaranteed payments from the Debt Service
22 Reserve Fund for the 1st Tier Bonds in an amount not to exceed \$20,991,807.50 under Surety
23 Bond (No. SB1080BE) (the "Surety") it issued to the Trustee. In addition, Ambac owns \$8.5
24 million in principal amount of 1st Tier Bonds.
25
26

1 13. As of the date of the Motion, Ambac has made payments under the Policy or
2 Surety in the aggregate amount of \$20,532,771.15 due to LVMC's failure to pay required
3 installments of interest on the 1st Tier Bonds as and when due under the Financing Agreement
4 and the Senior Indenture. If LVMC never makes another payment on the 1st Tier Bonds, then
5 Ambac estimates that its total exposure under the Policy and Surety will be approximately
6 \$1,163,435,771.15.²
7

8 14. The key documents and agreements relating to the Senior Bonds and LVMC's
9 ownership and operation of the Monorail are as follows:

- 10 A. The Tax Agreement;
- 11 B. The senior indenture, dated as of September 1, 2000 (the "Senior
12 Indenture"), between the Director and Wells Fargo Bank, N.A., as Trustee
13 (the "Trustee"), pursuant to which the Senior Bonds were issued (a true
14 and correct copy of the Senior Indenture is attached hereto as Exhibit "D");
- 15 C. The financing agreement, dated as of September 1, 2000 (the "Financing
16 Agreement"), between the Director and LVMC, pursuant to which the
17 proceeds of the Bonds were loaned to LVMC (a true and correct copy of
18 the Financing Agreement is attached hereto as Exhibit "E"); and
- 19 D. The Clark County Monorail Franchise Agreement, dated as of December 2,
20 1998, between Clark County, Nevada, and MGM Grand-Bally's Limited
21 Liability Company, under which the Monorail franchise was granted to
22 LVMC (a true and correct copy of the Clark County Monorail Franchise
23 Agreement is attached hereto as Exhibit "F").

24 15. The Trustee holds perfected security interests in certain property and interests of
25 LVMC (collectively, the "Collateral") as security for the payment of the Senior Bonds. The
26 Collateral consists, in part, of (a) all moneys received by the Director or the Trustee for the
account of the Director pursuant to the Financing Agreement for the benefit of the Senior Bonds,

² This figure includes remaining direct principal and interest exposure claims paid to date.

1 (b) all amounts held in any fund or account established under the Senior Indenture (except for
2 amounts held in the Indemnification Account of the Contingency Fund or in the Rebate Fund (as
3 defined in the Financing Agreement)) (the "Trust Funds"), (c) rights under certain of LVMC's
4 contracts, and (d) proceeds of the foregoing, including Project Revenues as proceeds of the
5 Franchise Agreement.
6

7 16. As a consequence of LVMC's ongoing payment defaults in respect of the Senior
8 Bonds, LVMC is required under the Financing Agreement to transfer all of its revenues, promptly
9 upon receipt, to the Trustee for deposit in the Revenue Fund established under the Senior
10 Indenture. With a few recent exceptions, LVMC for has been depositing its revenues with the
11 Trustee for almost three years.
12

13 **State Control of LVMC**

14 17. LVMC was created by the State of Nevada. The Governor of the State of Nevada
15 (the "Governor") has significant control and influence over LVMC, as evidenced by the
16 following:

- 17 A. All appointments to LVMC's board of directors (the "Board") must be
18 approved by the Governor.
- 19 B. The Board must notify the Governor of its recommendation to reappoint or
20 replace a director whose term is expiring, and if the Governor disapproves
21 of the Board's first two nominees, then the Governor may appoint the
22 successor director without Board input or approval.
- 23 C. The Governor may remove any director from LVMC's Board for cause.
24 No director may be removed from office by the Board without the
25 Governor's approval. If the Governor disapproves of the Board's
26 recommendation for removal, the director shall not be removed from the
Board.
- D. LVMC must obtain the Governor's approval of its annual budgets,
financial reports, any material alterations to its annual budget or financial

1 reports, any major expenditures for enhancements or repairs of the
2 Monorail, and any proposed changes to the rate schedule. If the Governor
3 disapproves of any such matter, the Board cannot proceed with such action.

4 E. The Governor has the right to inspect and audit all of LVMC's books,
5 records, and documents of every kind.

6 F. LVMC's Articles of Incorporation and Bylaws may not be amended or
7 repealed with the approval of the Governor.

8 G. Net earnings and residual assets inure solely to the benefit of the Governor
9 or a designated Nevada state agency.

10 H. The Governor established the initial fare schedule for the Monorail.

11 18. Upon the dissolution of LVMC, all of its assets remaining after the discharge of its
12 liabilities must be distributed to the Governor or to a designated agency of the State of Nevada.

13 19. LVMC is subject to public records and open meetings requirements, as set forth in
14 the Governor's Certificate. (A true and correct copy of the Governor's certificate is attached
15 hereto as Exhibit "G", a true and correct copy of the agenda of LVMC's Board meeting on
16 November 18, 2009 is attached hereto as Exhibit "H").

17 **LVMC's Public Purpose**

18 20. LVMC was organized to acquire and operate the Monorail for the public benefit
19 and to issue bonds, payable out of the revenues derived from the Monorail, to pursue such a
20 public purpose.

21 21. LVMC is organized as a nonprofit public benefit corporation without capital stock.
22 LVMC's Articles of Incorporate provide that no part of LVMC's net earnings, if any, either
23 during its existence or upon its dissolution, shall inure to the benefit of any individual, or any
24 director, officer or member thereof, or any person, firm or corporation, except the Governor or a
25 designated agency of the State of Nevada. In addition, the property, assets, profits and net
26

1 revenues of LVMC have been irrevocably dedicated to the operation and maintenance of the
2 Monorail for the public improvement.

3 I declare under penalty of perjury that the foregoing is true and correct to the best of my
4 knowledge and belief.
5

6 EXECUTED this 13th day of January, 2010.

7
8 /s/ Scott Zuchorski
9 SCOTT ZUCHORSKI
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EXHIBIT C

AMBAC FINANCIAL GROUP INC (ABK)

ONE STATE ST PLZ
NEW YORK, NY, 10004
212-668-0340
www.ambac.com

10-K

Annual report pursuant to section 13 and 15(d)
Filed on 4/9/2010
Filed Period 12/31/2009



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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

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

For the transition period from to

Commission file number 1-10777

Ambac Financial Group, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation)

13-3621676
(I.R.S. employer identification no.)

One State Street Plaza
New York, New York
(Address of principal executive offices)

10004
(Zip code)

(212) 668-0340
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 per share	New York Stock Exchange, Inc.
5.875% Debentures, Due March 24, 2103	New York Stock Exchange, Inc.
5.95% Debentures, Due February 28, 2103	New York Stock Exchange, Inc.
9.50% Equity Units, Due February 15, 2021	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated filer Non-accelerated filer Smaller reporting company
(do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of voting stock held by non-affiliates of the Registrant as of the close of business on June 30, 2009 was \$264,549,869.52 (based upon the closing price of the Registrant's shares on the New York Stock Exchange on that date, which was \$.92). For purposes of this information, the outstanding shares of Common Stock which were owned by all directors and executive officers of the Registrant were deemed to be shares of Common Stock held by affiliates.

As of March 25, 2010, 288,380,178 shares of Common Stock, par value \$0.01 per share, (net of 5,998,104 treasury shares) were outstanding.

Documents Incorporated By Reference

Portions of Ambac Financial Group, Inc.'s Proxy Statement for its 2010 Annual Meeting of Stockholders scheduled to be held on June 14, 2010 are incorporated by reference into the Annual Report on Form 10-K in response to Part III, Items 10, 11, 12 and 14.

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CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In this Annual Report, 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," "planned," "potential" 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, 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 Part I, Item 1A of the Annual Report on Form 10-K.

Any or all of management's forward-looking statements here or in other publications may turn out to be incorrect and are based on Ambac 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 are: (1) Ambac has insufficient capital to finance its debt service and operating expense requirements beyond the second quarter of 2011 and may need to seek bankruptcy protection; (2) the unlikely ability of Ambac Assurance to pay dividends to Ambac in the near term; (3) the risk that holders of debt securities or counterparties on credit default swaps or other similar agreements bring claims alleging that the rehabilitation of the Segregated Account (as defined in Part I, Item 1, Recent Developments) constitutes an event of default under the applicable debt indenture or an event of default under the applicable ISDA contract; (4) adverse events arising from the Segregated Account Rehabilitation Proceedings (as defined in Part I, Item 1, Recent Developments), including the injunctions issued by the Wisconsin rehabilitation court to enjoin certain adverse actions related to the Segregated Account being successfully challenged as not enforceable; (5) litigation arising from the Segregated Account Rehabilitation Proceedings; (6) any changes to the Proposed Settlement (as defined in Part I, Item 1, Recent Developments), or the failure to consummate the Proposed Settlement; (7) decisions made by the rehabilitator for the benefit of policyholders may result in material adverse consequences for Ambac's securityholders; (8) potential of rehabilitation proceedings against Ambac Assurance, with resulting adverse impacts; (9) the risk that reinsurers may dispute amounts owed us under our reinsurance agreements; (10) possible delisting of Ambac's common shares from the NYSE; (11) the risk that market risks impact assets in our investment portfolio or the value of our assets posted as collateral in respect of investment agreements and interest rate swap and currency swap transactions; (12) risks which impact assets in Ambac Assurance's investment portfolio; (13) risks relating to determination of amount of impairments taken on investments; (14) credit and liquidity risks due to unscheduled and unanticipated withdrawals on investment agreements; (15) market spreads and pricing on insured CDOs and other derivative products insured or issued by Ambac; (16) inadequacy of reserves established for losses and loss expenses, including our inability to realize the remediation recoveries included in our reserves; (17) Ambac's financial position and the Segregated Account Rehabilitation Proceedings may prompt departures of key employees; (18) 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; (19) difficult economic conditions, which may not improve in the near future, and adverse changes in the economic, credit, foreign currency or interest rate environment in the United States and abroad; (20) the actions of the U. S. Government, Federal Reserve and other government and regulatory bodies to stabilize the financial markets; (21) likely unavailability of adequate capital support and liquidity; (22) credit risk throughout our business, including credit risk related to residential mortgage-backed securities and collateralized debt obligations ("CDOs") and large single exposures to reinsurers; (23) default by one or more of Ambac Assurance's portfolio investments, insured issuers, counterparties or reinsurers; (24) the risk that our risk management policies and practices do not anticipate certain risks and/or the magnitude of

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potential for loss as a result of unforeseen risks; (25) factors that may influence the amount of installment premiums paid to Ambac, including the imposition of the payment moratorium with respect to claims payments as a result of Segregated Account Rehabilitation Proceedings; (26) changes in prevailing interest rates; (27) the risk of volatility in income and earnings, including volatility due to the application of fair value accounting, required under the relevant derivative accounting guidance, to the portion of our credit enhancement business which is executed in credit derivative form, and due to the adoption of the new financial guarantee insurance accounting standard effective January 1, 2009, which, among other things, introduces volatility in the recognition of premium earnings and losses; (28) changes in accounting principles or practices that may impact Ambac's reported financial results; (29) legislative and regulatory developments; (30) operational risks, including with respect to internal processes, risk models, systems and employees; (31) changes in tax laws and other tax-related risks; (32) other factors described in the Risk Factors section in Part I, Item 1A of this Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and also disclosed from time to time by Ambac in its subsequent reports on Form 10-Q and Form 8-K, which are or will be available on the Ambac website at www.ambac.com and at the SEC's website, www.sec.gov; and (33) other risks and uncertainties that have not been identified at this time. Readers are cautioned that forward-looking statements speak only as of the date they are made and that Ambac does not undertake to update forward-looking statements to reflect circumstances or events that arise after the date the statements are made. You are therefore advised to consult any further disclosures we make on related subjects in Ambac's reports to the SEC.

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Part I

Item 1. Business.

INTRODUCTION

Ambac Financial Group, Inc. ("Ambac" or the "Company"), headquartered in New York City, is a holding company incorporated in the state of Delaware. Ambac was incorporated on April 29, 1991. Ambac, through its subsidiaries, provided financial guarantees and financial services to clients in both the public and private sectors around the world. The long-term senior unsecured debt of Ambac is rated CC with a negative outlook by Standard & Poor's Ratings Service ("S&P"), and C by Moody's Investors Services, Inc. ("Moody's"). See "Rating Agencies" for more information regarding Ambac's ratings. As a holding company, Ambac is largely dependent on dividends from Ambac Assurance Corporation ("Ambac Assurance"), its principal operating subsidiary, to pay principal and interest on its indebtedness and to pay its operating expenses. Ambac Assurance was unable to pay dividends to Ambac in 2009 and will be unable to pay dividends in 2010 absent special approval from the Office of the Commissioner of Insurance of the State of Wisconsin ("OCIP"), which is not expected, thus constraining Ambac's principal source of liquidity for paying its operating expenses and debt service obligations. See "Insurance Regulatory Matters—Wisconsin Dividend Restrictions" section and "Management's Discussion and Analysis—Liquidity and Capital Resources" located in this Item I and Part II, Item 7, respectively, for further information. Furthermore, Ambac Assurance's ability to pay dividends has been significantly restricted by the creation, and subsequent rehabilitation, of the Segregated Account (as hereinafter defined and described in more detail below). In addition, Ambac Assurance's ability to pay dividends would be further restricted pursuant to the terms of the Proposed Settlement (as hereinafter defined) with counterparties of CDO of ABS transactions, if consummated. See "Recent Developments" located in this Item 1.

Ambac's activities are divided into two business segments: (i) Financial Guarantee and (ii) Financial Services. Ambac provided financial guarantee insurance for public and structured finance obligations through Ambac Assurance. While Ambac Assurance historically had AAA financial strength ratings, its ratings have been downgraded multiple times, beginning in 2008. As a result, Ambac Assurance currently has a Caa2 financial strength rating on review for possible upgrade from Moody's and an R (Regulatory Intervention) financial strength rating from S&P.

Through its financial services subsidiaries, Ambac provided financial and investment products, including investment agreements, funding conduits, interest rate, currency and total return swaps, principally to the clients of its financial guarantee business. Ambac Assurance has insured all of the obligations of its subsidiaries which wrote financial services business. As of December 31, 2009, all total return swaps have been terminated and settled. The interest rate swap and investment agreement businesses are in active runoff, which may result in transaction terminations, settlements, restructurings, assignments and scheduled amortization of contracts. In the process of running off these businesses, we may execute hedging transactions to mitigate risks in the respective books of business to the extent that we are able to do so; however, the Segregated Account Rehabilitation Proceedings (as hereinafter defined) and the financial condition of Ambac Assurance will make execution of any such hedging transactions more difficult. To the extent we are unable to hedge such risks, adverse financial impacts may result.

Financial information concerning our business segments for each of 2009, 2008 and 2007 is set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto, included elsewhere in this Annual Report on Form 10-K. Our Internet address is www.ambac.com. We make available free of charge, on or through the investor relations section of our web site, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission. Our Investor Relations Department can be contacted at Ambac Financial Group, Inc., One State Street Plaza, New York, New York 10004, Attn: Investor Relations, telephone: 212-208-3222.

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Recent Developments:

Segregated Account

On March 24, 2010, Ambac Assurance acquiesced to the OCI's request to establish a segregated account pursuant to Wisc. Stat. §611.24(2) (the "Segregated Account"). Under Wisconsin insurance law, the Segregated Account is a separate insurer from Ambac Assurance for purposes of the Segregated Account Rehabilitation Proceedings. The purpose of the Segregated Account is to segregate certain segments of Ambac Assurance's liabilities, and in connection with such segregation Ambac Assurance has allocated to the Segregated Account (i) certain policies insuring or relating to credit default swaps, (ii) all residential mortgage-backed securities ("RMBS") policies, (iii) certain other identified policies, including those relating to Las Vegas Monorail Company, and (iv) certain Student Loan Policies (as defined below) (collectively, the "Segregated Account Policies"). Ambac Assurance also allocated the following to the Segregated Account: (i) all remediation claims, defenses, offsets, and/or credits (but excluding recoveries arising from remediation efforts or reimbursement or collection rights with respect to policies allocated to the Segregated Account), if any, in respect of the Segregated Account Policies, (ii) Ambac Assurance's disputed contingent liability, if any, under the long-term lease with One State Street, LLC, and its contingent liability (as guarantor), if any, under the Ambac Assurance UK Limited ("Ambac UK") lease with British Land, (iii) Ambac Assurance's limited liability interests in Ambac Credit Products, LLC ("ACP"), Ambac Conduit Funding LLC, Aleutian Investments LLC and Juneau Investments LLC and (iv) all of Ambac Assurance's liabilities as reinsurer under reinsurance agreements (except for reinsurance assumed from Everspan Financial Guarantee Corp. ("Everspan")). Net par exposure allocated to the Segregated Account is \$67,751 million as of February 28, 2010, which is inclusive of net par exposures assumed under reinsurance contracts, primarily from Ambac UK, in an aggregate amount of \$22,985 million.

On March 24, 2010, the OCI commenced rehabilitation proceedings with respect to the Segregated Account (the "Segregated Account Rehabilitation Proceedings") in order to permit the OCI to facilitate an orderly run-off and/or settlement of the liabilities allocated to the Segregated Account pursuant to the provisions of the Wisconsin Insurers Rehabilitation and Liquidation Act. On March 24, 2010, the rehabilitation court also issued an injunction effective until further order of the court enjoining certain actions by Segregated Account policyholders and other counterparties, including the assertion of damages or acceleration of losses based on early termination and the loss of control rights in insured transactions. Pursuant to the Verified Petition filed in Wisconsin in connection with such proceedings, the OCI has stated that it will seek the approval of the rehabilitation court for a plan of rehabilitation with respect to the Segregated Account (the "Segregated Account Rehabilitation Plan"). The Verified Petition states that the Segregated Account Rehabilitation Plan will, if approved, provide, among other things, that the holders of Segregated Account Policies shall receive in respect of claims made a combination of (i) cash and (ii) surplus notes (the "Segregated Account Surplus Notes") with the same terms as the Ambac Assurance Surplus Notes (as defined below). Until the Segregated Account Rehabilitation Plan is approved, which OCI has indicated will be in approximately six months, it is anticipated that no claims will be paid on Segregated Account Policies, except as approved by the rehabilitation court.

The Segregated Account is capitalized by a \$2 billion secured note due 2050 issued by Ambac Assurance (the "Secured Note") and an aggregate excess of loss reinsurance agreement provided by Ambac Assurance (the "Reinsurance Agreement"). In addition, the Plan of Operation (as defined below) provides that Ambac Assurance's General Account (as defined below) may issue surplus notes directly to holders of Segregated Account Policies to satisfy the portion of claim liability not paid by the Segregated Account in cash or in Segregated Account Surplus Notes.

Pursuant to the terms of the Plan of Operation, assets and investments, if any, allocated to the Segregated Account will be available and used solely to satisfy costs, expenses, charges, and liabilities attributable to the business placed therein. Such assets and investments, if any, will not be charged with any costs, expenses, charges, or liabilities arising out of any other business of Ambac Assurance, except as otherwise provided in the Secured Note or the Reinsurance Agreement. Likewise, assets and investments in Ambac Assurance's General Account will not be charged with any costs, expenses, charges, or liabilities arising out of the direct business

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allocated to the Segregated Account, except as otherwise provided in the Secured Note or the Cooperation Agreement (as defined and described below).

The Secured Note will be subject to mandatory prepayment on demand in an amount equal to (i) the cash portion of claim liabilities, loss settlements, commutations and purchases of Segregated Account Policies (or related insured obligations) due and payable by the Segregated Account ("Segregated Account Policy Cash Payments"), amounts due and payable by the Segregated Account arising out of the non-policy obligations allocated thereto, and any cash interest payment and cash principal repayment under any Segregated Account Surplus Notes in connection with any of the foregoing, provided in each case such amounts due and payable are in accordance with the Segregated Account Rehabilitation Plan (as defined below) and not otherwise disapproved by the rehabilitator of the Segregated Account plus (ii) amounts due and payable by the Segregated Account in respect of specified administrative expenses of the Segregated Account plus (iii) other amounts directed to be paid by the rehabilitator of the Segregated Account in conjunction with the rehabilitation proceeding, minus (iv) the amount of the Segregated Account's liquid assets as determined by the Segregated Account. In addition, if an event of default occurs under the Secured Note, the Segregated Account is entitled to accelerate the outstanding principal amount due under the Secured Note.

Ambac Assurance is not obligated to make payments on the Secured Note if its surplus as regards policyholders is (or would be) less than \$100 million, or such higher amount as the OCI permits pursuant to a prescribed accounting practice (the "Minimum Surplus Amount"). Interest accrues at the rate of 4.5% per annum, and accrued interest will be added to principal quarterly. Ambac Assurance has secured its obligations under the Secured Note and the Reinsurance Agreement by granting to the Segregated Account a security interest in all of Ambac Assurance's right, title and interest in installment premiums received in respect of the Segregated Account Policies; reinsurance premiums received in respect of assumed reinsurance agreements with respect to which the liabilities of Ambac Assurance have been allocated to the Segregated Account; recoveries under third party reinsurance agreements in respect of the Segregated Account Policies; and any recoveries arising from remediation efforts or reimbursement or collection rights with respect to policies allocated to the Segregated Account. Pursuant to the Secured Note, Ambac Assurance has made certain covenants to the Segregated Account, including covenants that Ambac Assurance will not, (i) without the Segregated Account's consent (not to be unreasonably withheld), amend its investment policies if doing so would have a material adverse effect on Ambac Assurance's ability to perform its obligations under the Secured Note, the Reinsurance Agreement and the documents relating thereto or under any other material agreement to which it is a party, (ii) without the prior approval of the OCI and the rehabilitator of the Segregated Account, directly or indirectly make any distribution to its shareholder or redeem any of its securities and, (iii) without the Segregated Account's consent (not to be unreasonably withheld), enter into any transaction other than pursuant to the reasonable requirements of Ambac Assurance's business and which Ambac Assurance reasonably believes are fair and reasonable terms and provisions.

Pursuant to the Reinsurance Agreement, Ambac Assurance has agreed to pay Segregated Account Policy Cash Payments, any cash interest payment and cash principal repayment under any Segregated Account Surplus Notes in connection with any of the foregoing and other amounts directed to be paid by the rehabilitator of the Segregated Account in conjunction with the rehabilitation proceeding, minus the amount of the Segregated Account's liquid assets as determined by the Segregated Account. Ambac Assurance's liability under the Reinsurance Agreement will attach only after all principal under the Secured Note has been paid. In addition, no payment under the Reinsurance Agreement will be required if Ambac Assurance's surplus is less (or would be less) than the Minimum Surplus Amount. The Reinsurance Agreement contains the same covenants for the benefit of the Segregated Account as those that appear in the Secured Note, as described in the preceding paragraph.

Policy obligations not transferred to the Segregated Account remain in the general account of Ambac Assurance (the "General Account"), and such policies in the General Account are not subject to and, therefore, will not be directly impacted by, the Segregated Account Rehabilitation Plan. Ambac Assurance is not, itself, in rehabilitation proceedings.

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The Segregated Account will be operated in accordance with a Plan of Operation (the "Plan of Operation") and certain operative documents relating thereto (which include the Secured Note, the Reinsurance Agreement, the Management Services Agreement and the Cooperation Agreement). These operative documents provide that the Segregated Account will act exclusively through the rehabilitator.

During the Segregated Account Rehabilitation Proceedings, the rehabilitator of the Segregated Account has the authority to control the management of the Segregated Account. Ambac Assurance will provide certain management and administrative services to the Segregated Account and the rehabilitator pursuant to a Management Services Agreement (the "Management Services Agreement"), including information technology services, credit exposure management, treasury, accounting, tax, management information, risk management, loss management, internal audit services and business continuity services. Services will be provided at cost, subject to mutual agreement of the Segregated Account and Ambac Assurance. Either party may terminate the Management Services Agreement for cause upon 120 days written notice (or such shorter period as the rehabilitator may determine) and the Segregated Account may terminate without cause at any time upon at least 30 days prior notice. If the Segregated Account elects to terminate the Management Services Agreement, Ambac Assurance will not have the right to consent to the replacement services provider.

Ambac Assurance and the Segregated Account have also entered into a Cooperation Agreement (the "Cooperation Agreement"), pursuant to which the parties have agreed to certain matters related to decision-making, information sharing, tax compliance and allocation of expenses (including an agreement by Ambac Assurance to reimburse the Segregated Account for specified expenses to the extent not reimbursed under the Secured Note, subject to the Minimum Surplus Amount). Ambac Assurance has made certain covenants to the Segregated Account, including an agreement to not enter into any transaction involving more than \$5 million (or such higher amount as is agreed with the rehabilitator) without the Segregated Account's prior consent (other than policy claim payments made in the ordinary course of business and investments in accordance with Ambac Assurance's investment policy), and providing the Segregated Account with an annual budget and projection for Ambac Assurance and its subsidiaries for the forthcoming fiscal year, as well as quarterly updates thereto. The Cooperation Agreement also addresses Ambac Assurance's rights in the event Ambac Assurance is no longer the management and administrative services provider to the Segregated Account as described above.

Outline of Proposed Settlement Agreement

On March 24, 2010, Ambac Assurance reached a non-binding agreement (the "Proposed Settlement") with certain counterparties (the "Counterparties") to outstanding credit default swaps with ACP that were guaranteed by Ambac Assurance. The Proposed Settlement provides that Ambac Assurance will enter into a settlement agreement (the "Settlement Agreement") with the Counterparties, pursuant to which it will commute all of the ABS CDO transactions insured by Ambac Assurance (the "Commuted ABS CDO Obligations"). The Proposed Settlement is not a binding agreement, and there can be no assurance that a definitive agreement will be executed. In addition, the terms of the Proposed Settlement, as negotiated to date, may change prior to the Closing Date (as defined below), or the transactions contemplated by the Proposed Settlement may not be consummated at all. See "Risk Factors—The terms of the Proposed Settlement are not yet final and may change, and the Proposed Settlement may not be consummated at all." Pursuant to the terms of the Proposed Settlement, in exchange for the termination of the Commuted ABS CDO Obligations, Ambac Assurance shall transfer to the Counterparties in the aggregate (i) \$2.6 billion in cash and (ii) \$2 billion of newly issued surplus notes of Ambac Assurance (the "Ambac Assurance Surplus Notes"). Each of the Counterparties, on the one hand, and Ambac Assurance and the Company, on the other hand, has agreed to provide a release of the other party relating to any credit default swaps or financial guaranty insurance policies commuted pursuant to the Proposed Settlement. In addition, each of the Counterparties, on the one hand, and Ambac Assurance and the Company, on the other hand, has agreed to negotiate in good faith a general release relating to all actions taken or omitted to be taken prior to the Closing Date, subject to certain exceptions. In addition to the commutation of the Commuted ABS CDO Obligations, Ambac Assurance will also commute certain additional obligations (the "Additional Commuted Obligations").

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The Ambac Assurance Surplus Notes shall have a maturity date of ten years from the Closing Date. Interest on the Ambac Assurance Surplus Notes shall be payable annually at the annual rate of 5.1%. All payments of principal and interest on the Ambac Assurance Surplus Notes shall be subject to the prior approval of OCI. If the OCI does not approve the payment of interest on the Ambac Assurance Surplus Notes, such interest will accrue and compound annually until paid or otherwise. Ambac Assurance and the Counterparties have agreed to negotiate in good faith (but shall be under no obligation to agree to) bilateral redemption provisions applicable to the Ambac Assurance Surplus Notes. The parties to the Proposed Settlement shall also agree to consider in good faith any alternative proposal intended to mitigate the risk that the issuance of the Ambac Assurance Surplus Notes will adversely impact the preservation of Ambac Assurance's net operating losses (the "NOLs"), so long as implementation of such alternative proposal would not adversely affect the interests of the Counterparties.

The Settlement Agreement shall provide that Ambac Assurance's payment obligations relating to financial guarantee insurance policies on bonds, certificates, notes or other securities payable from certain specified student loan assets ("Student Loan Policies") shall be transferred to the Segregated Account. The Segregated Account Rehabilitation Plan will, if approved, provide that Ambac Assurance may, with the approval of the OCI, cause additional Student Loan Policies to be transferred to the Segregated Account.

Counterparties to credit default swaps with ACP with respect to which policies remain in the General Account have agreed to temporarily forbear from terminating or accelerating the obligations of ACP under such credit default swaps or asserting any claims against Ambac Assurance or any affiliate thereof based upon the Segregated Account Rehabilitation Proceedings or events relating thereto until the earlier of (i) May 23, 2010 and (ii) the occurrence of certain termination events (the "Forbearance Period"). Effective on the date of the closing of the transactions contemplated by the Settlement Agreement (the "Closing Date"), the credit default swaps remaining in the General Account (primarily, credit default swaps with respect to certain collateralized loan obligations) will be amended to remove certain events of default and termination events, including those arising from the Segregated Account Rehabilitation Proceedings.

Assumed reinsurance obligations of Ambac Assurance (except for reinsurance assumed from Everspan) shall be allocated to the Segregated Account and, pursuant to the Segregated Account Rehabilitation Plan when it is approved shall be treated consistent with the junior priority of such obligations in liquidation.

It is expected that, on or prior to the Closing Date and the consummation of the Proposed Settlement, the articles of incorporation of Ambac Assurance shall be amended to provide that, not later than 120 days after the Closing Date, the board of directors of Ambac Assurance shall be reconstituted (whether by the appointment of additional directors, the resignation of current directors to be replaced with new directors, or a combination of the foregoing) so that at all times thereafter at least one-third of the total number of members of the board (and not less than three such members) are independent, qualified and unaffiliated with Ambac Assurance ("Unaffiliated Directors"), any Counterparty or any of their respective affiliates. Unaffiliated Directors will not include directors, if any, appointed by the holders of Ambac Assurance's Auction Market Preferred Shares.

The Settlement Agreement is also expected to include covenants that shall remain in force until the redemption of all of the Ambac Assurance Surplus Notes as approved by OCI, and can be amended or waived with (i) the consent of 50% in face amount of the Ambac Assurance Surplus Notes that cast a ballot and (ii) the approval of OCI. The covenants are expected to include the following (the "Covenants"):

- At all times after the 120th day after the Closing Date and prior to the expiration of the Covenants, at least one-third of the board of directors of Ambac Assurance shall be Unaffiliated Directors;
- Ambac Assurance shall not write new business or guarantee or reinsure any new Everspan business (including under any existing treaties) so long as any Ambac Assurance Surplus Notes held by Counterparties remain outstanding, unless approved by OCI and Ambac Assurance has a financial strength rating of at least A (and is not on negative watch for downgrade) from at least two nationally

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- recognized rating agencies. New business may be undertaken by Everspan with an infusion of new outside capital, if approved by the board of directors of Ambac Assurance, including a majority of the Unaffiliated Directors;
- Except as expressly contemplated by the Settlement Agreement, Ambac Assurance shall not issue or assume any surplus notes, policies or other material obligations that are pari passu with or senior to the Ambac Assurance Surplus Notes (including, without limitation, debt instruments of affiliates that are structurally senior to the Ambac Assurance Surplus Notes), other than the Segregated Account Surplus Notes or any other surplus notes or other material obligations approved for issuance by the rehabilitation court in satisfaction or partial satisfaction of any liabilities of the Segregated Account;
 - While the Ambac Assurance Surplus Notes are outstanding, all other surplus notes issued by Ambac Assurance shall be on terms no more favorable to the noteholder than the Ambac Assurance Surplus Notes;
 - Ambac Assurance shall provide Counterparties who are holders of Ambac Assurance Surplus Notes with quarterly financial information, as specified in the Settlement Agreement;
 - No mergers, sales, pledges or other transfers of 10% or more of Ambac Assurance's assets (in one transaction, a series of related transactions or a series of unrelated transactions that occur within a 6-month time period), dividends, cedes of material business, or investments shall be permitted, in each case, whether such transaction is with an affiliate or a third party, except as follows:
 - Transactions by the Segregated Account approved by the rehabilitation court pursuant to a final and non-appealable order of the rehabilitation court or a plan of rehabilitation approved by a final and non-appealable order of the rehabilitation court;
 - Dividends or loans (approved by OCI) in an amount (i) up to \$52 million per annum solely to pay interest on indebtedness outstanding as of March 15, 2010 (at the rate of interest applicable on March 15, 2010) that remains outstanding at the time of such dividend or loan, to the extent allowed by OCI, and (ii) up to \$7.5 million per annum solely to pay operating expenses of the Company, to the extent allowed by OCI; provided, that, concurrently with any such permitted dividend or loan, the total principal amount of all outstanding surplus notes shall be prepaid on a pro rata basis by an amount equal to the amount of such permitted payment;
 - Investments in accordance with investment guidelines as required by statutory accounting principles and as approved by OCI, provided, that Ambac Assurance's investment plan and performance shall be reviewed at least annually by its board of directors and modified as necessary and approved by the board of directors of Ambac Assurance (including a majority of the Unaffiliated Directors);
 - Calls or purchases of Ambac Assurance Surplus Notes on a non-pro rata basis or redemptions of Ambac Assurance Surplus Notes on a pro rata basis funded solely with new equity capital or Ambac Assurance funds, in each case subject to the approval of OCI;
 - Transactions related to and arising from the ongoing RMBS liability remediation efforts and any other loss mitigation activities approved by the rehabilitation court;
 - Bulk cession(s) of liabilities to direct or indirect subsidiaries together with a transfer of corresponding assets and necessary capital as approved by OCI; and
 - Transactions otherwise not permitted by the Covenants if approved by OCI and if, after giving effect thereto, Ambac Assurance has a financial strength rating of at least A (and is not on negative watch for downgrade) from at least two nationally recognized rating agencies.
 - With respect to any financial guaranty insurance policy commuted or credit default swap terminated pursuant to the Settlement Agreement, Ambac Assurance shall cooperate with any reasonable requests of the Counterparties to assist in the restructuring of the underlying insured transactions, including,

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- without limitation, by transferring any voting or consent rights held by Ambac Assurance to such Counterparty to the extent permitted by the transaction documents;
- Ambac Assurance shall not enter into any tax-sharing agreement with the Company or any of its affiliates adverse to Ambac Assurance. Without limiting the generality of the foregoing, immediately prior to the Closing Date, the existing tax sharing agreement among the members of the consolidated tax group of which the Company is the common parent shall be terminated as to Ambac Assurance and its subsidiaries, including Everspan (the "Ambac Assurance Subgroup"), and shall be replaced by an agreement that recognizes the consolidated NOL of the group as an asset of the Ambac Assurance Subgroup and that requires the Company to compensate Ambac Assurance on a current basis for use of any portion of that asset, except that the Company shall not be required to compensate Ambac Assurance for the Company's use of net operating losses in connection with cancellation of debt ("COD") income associated with restructurings of its bonds outstanding as of March 15, 2010;
 - The Counterparties shall be entitled pursuant to the Settlement Agreement to specific enforcement of the foregoing covenants; and
 - All transactions between Ambac Assurance and its affiliates shall be approved by a majority of the Unaffiliated Directors.

Ambac UK

Pursuant to the Amended and Restated 1997 Reinsurance Agreement between Ambac UK and Ambac Assurance (the "AUK Reinsurance Agreement"), Ambac Assurance reinsures on a quota share basis 90% of the liabilities under policies issued by Ambac UK, and reinsures on an excess of loss basis Ambac UK policy liabilities in excess of £500,000. Ambac UK has sent Ambac Assurance notices of termination with respect to the AUK Reinsurance Agreement in which Ambac UK demands payment of unearned premium reserves, loss reserves and loss adjustment expense reserves related to the reinsured policies, less ceding commissions and certain adjustments. Ambac Assurance has not agreed or accepted that the purported termination of the AUK Reinsurance Agreement was valid.

Pursuant to the Segregated Account Rehabilitation Proceedings, the liabilities of Ambac Assurance under the AUK Reinsurance Agreement have been allocated to the Segregated Account; as such, the rehabilitator of the Segregated Account will determine the actions, if any, to be taken in respect of the AUK Reinsurance Agreement.

Impact on Ambac

Ambac's liquidity and solvency, both on a near-term basis and a long-term basis, is largely dependent on dividends and other payments from Ambac Assurance and on the residual value of Ambac Assurance. Ambac's principal uses of liquidity are for the payment of principal (including maturing principal in the amount of \$142.5 million in August 2011) and interest on its debt (including annual interest expense of approximately \$88.7 million, after taking into account the deferral of interest on the DISCs), its operating expenses, and capital investments in and loans to its subsidiaries. Further, other contingencies (e.g., an unfavorable outcome in the outstanding class action lawsuits against the Company) could cause additional strain on its capital. As a result of the Segregated Account Rehabilitation Proceedings and the Proposed Settlement (if consummated), it is highly unlikely that Ambac Assurance will be able to make dividend payments to Ambac for the foreseeable future.

Under the terms of the proposed Segregated Account Rehabilitation Plan, Ambac Assurance will issue surplus notes to policyholders of the Segregated Account. The aggregate amount of these surplus notes could be substantial, and the surplus notes will rank senior to Ambac's equity investment in Ambac Assurance. Therefore, the issuance of the surplus notes will reduce Ambac's equity investment in Ambac Assurance, as any residual value of Ambac Assurance will likely be for the benefit of holders of surplus notes. In addition, as a consequence of the Segregated Account Rehabilitation Proceedings, the rehabilitator retains significant decision-making

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authority with respect to the Segregated Account and has the discretion to oversee and approve certain actions taken by Ambac Assurance in respect of assets and liabilities which remain in Ambac Assurance, and such decisions will be for the benefit of policyholders and will not take into account the interests of securityholders of Ambac. Actions taken by the rehabilitator could further reduce the equity value of Ambac Assurance.

While Ambac does not believe that the Segregated Account Rehabilitation Proceedings constitute an event of default under its debt indentures, debt holders may assert that the Segregated Account Rehabilitation Proceedings constitute an event of default and may seek to accelerate the debt. In addition, Ambac may consider, among other things, a negotiated restructuring of its outstanding debt through a prepackaged bankruptcy proceeding or may seek bankruptcy protection without agreement concerning a plan of reorganization with major creditor groups. No assurance can be given that Ambac will be successful in executing any or all of these strategies.

While management believes that Ambac will have sufficient liquidity to satisfy its needs through the second quarter of 2011, no guarantee can be given that it will be able to pay all of its operating expenses and debt service obligations thereafter, and its liquidity may run out prior to the second quarter of 2011. Further, Ambac may decide prior to the third quarter of 2010 not to pay interest on its debt.

Key Personnel

On March 25, 2010, Greg Raab, the former Chief Risk Officer of Ambac, informed Ambac that he would be resigning effective April 28, 2010. As a consequence of the Segregated Account Rehabilitation Proceedings, additional key personnel could decide to resign.

Business Strategy

Ambac's financial guarantee business historically depended on triple-A ratings as well as investor confidence in Ambac Assurance's financial strength. The deterioration of Ambac Assurance's financial condition resulting from losses in its insured portfolio and the resulting downgrades of Ambac Assurance's financial strength ratings have made it impossible for it to write new business, which will negatively impact Ambac's future business, operations and financial results. Further, Ambac's existing investment agreement and derivative product portfolios are being runoff.

Ambac's principal business strategy going forward is to increase the residual value of its financial guarantee business by mitigating losses on poorly performing transactions and maximizing the yield on its investment portfolio. The execution of such strategy with respect to Segregated Account Policies will be subject to the authority of the rehabilitator of the Segregated Account to control the management of the Segregated Account. See "Recent Developments" in this Item 1. In exercising such authority, the rehabilitator will act for the benefit of policyholders, and will not take into account the interests of securityholders of Ambac. Similarly, by operation of the contracts executed in connection with the establishment, and subsequent rehabilitation, of the Segregated Account, the rehabilitator retains rights to oversee and approve certain actions taken in respect of Ambac Assurance. This oversight by the rehabilitator could impair Ambac's ability to execute the foregoing strategy.

Prior to June 2009, Ambac had intended to reactivate Everspan for purposes of writing financial guarantee insurance in the U.S. public finance market; however, Ambac Assurance's financial condition and market conditions hampered the Company's efforts to raise third party capital. Since Ambac has been unable to raise capital for Everspan, it has postponed indefinitely its efforts to reactivate Everspan for this purpose. Moreover, as a result of the Segregated Account Rehabilitation Proceedings and the Proposed Settlement, it is unlikely that Ambac will be able to relaunch Everspan.

BUSINESS SEGMENTS

Ambac has two reportable business segments: Financial Guarantee and Financial Services. As a result of the downgrades of Ambac Assurance's financial strength ratings by Moody's and S&P, investor concerns with respect to its financial condition, and the events and circumstances described in "Recent Developments" in this

EXHIBIT D

Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
a C.T. Corporation System
11 East Millin Street, Madison, Wisconsin 53703
Administrative Office
One State Street Plaza, New York, New York 10001
Telephone (212) 668-0530

Issuer **DIRECTOR OF THE STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY**

Policy Number **17548BE**

Bonds **\$451,448,217.30 Las Vegas Monorail Project Revenue Bonds,
1st Tier Series 2000, dated September 1, 2000 for the Current
Interest Bonds and their Date of Delivery for the Capital
Appreciation Bonds, consisting of ~~THE~~ FURTHER
DESCRIBED ON THE REVERSE HEREOF)**

Premium **\$22,709,655.40**

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company
in consideration of the payment of the premium and subject to the terms of this Policy, hereby agree to pay to United States Trust Company
of New York, as trustee for the issuer (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest
on the above-described obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by
the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon
a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncancelled and in bearer
form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is
then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and
shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance
Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond,
uncancelled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly
executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in
the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders
or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of
proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of
assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized
representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was
made. Ambac shall be subrogated to all the Bondholder's right to payment on registered Bonds to the extent of the insurance disbursements
so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due
for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and
therefore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order
of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient
funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or is
a coupon appurtenant to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity
date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any
earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments),
acceleration or other advancement of maturity, and, when referring to interest on the Bonds, is when the stated due for payment of interest
has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for
payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity.
This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any
Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized
officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly
authorized representative.

P. Lassiter
President



Anne G. Gill
Secretary

Anne L. Hood
Authorized Representative

William W. Weber

Effective Date **September 20, 2000**

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it
has agreed to perform the duties of Insurance Trustee under this Policy.

Form No. 1000-1

4-5405

001740

Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0540

Issuer:

Policy Number:

APPENDIX L

FORM OF BOND INSURANCE POLICY

Bonds

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or apparent coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and therefore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.


President




Secretary

Effective Date:

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No. 66-0103 (7/797)

A- L-1

Authorized Representative


Authorized Officer