EXHIBIT C

DISCUSSION OF THE REHABILITATOR'S PROJECTIONS, ASSUMPTIONS AND METHODOLOGIES

The Rehabilitator's Financial Projections necessarily incorporate a variety of economic, financial, operating, accounting, and other assumptions, as well as certain calculation methodologies. Certain of these assumptions and/or methodologies are summarized below, to assist readers in their evaluation of the Rehabilitator's Financial Projections. Unless otherwise stated herein, the assumptions and calculation methodologies described in this Exhibit were developed by the Rehabilitator. The statutory financial statements of the General Account and the Segregated Account are prepared in accordance with SAP, which practices may differ from the practices utilized in preparing the Rehabilitator's Financial Projections. Additionally, the Rehabilitator's Financial Projections include the combined results of the General Account and the Segregated Account. Accordingly, transactions between the General Account and the Segregated Account are eliminated and not reflected in the Rehabilitator's Financial Projections (e.g., Secured Note, retroactive reinsurance transactions). Furthermore, the assets and liabilities of the Segregated Account, which under SAP are displayed on the balance sheet of the General Account, are eliminated in these Rehabilitator's Financial Projections. Finally, the income statement includes the combined activities of the General Account and Segregated Account.

(1) Statement of Operations

Investment income on AAC's existing investment portfolio is based upon (i) cash interest receipts incorporated in a principal and interest schedule (the "P&I Schedule") provided by AAC for its investment portfolio holdings as of June 30, 2010, (ii) an assumed 1% yield on excess cash balances, (iii) the recognition of accretion of discounts/premiums on AAC's investment portfolio holdings as of June 30, 2010, and (iv) intercompany loan interest.

The reinvestment rate is assumed to be 3.6% from June 30, 2010, through the end of 2012. The reinvestment rate is then assumed to rise to 5.1% by 2018, and remain at that level until the end of the period of the Rehabilitator's Financial Projections. All funds available for reinvestment are assumed to be invested in the high-liquid or medium-liquid asset classifications.

Upon AAC's receipt of Surplus Notes as a result of its ownership of AAC-insured securities, the Rehabilitator's Financial Projections recognize such amounts in investment income to the extent that the sum of cash and Surplus Notes received exceeds the carrying value of the investment security. No gain or loss associated with the receipt of Surplus Notes is included in taxable income.

Interest for the intercompany loans is calculated on average run-off balances derived from scenarios provided by AAC, utilizing a 3-month forward LIBOR curve plus applicable margin.

"Premiums Earned" reflect AAC's projections of installment premiums and the contractual run-off of unearned premium reserve over the projected life of the policies in force as of June 30, 2010, net of reinsurance. Unearned premium run-off is increased by an additional 4% per annum to account for early redemptions and refundings of policies. Following the termination of the AUK Reinsurance Agreement, no installment premiums relating to Ambac UK are included in the Rehabilitator's Financial Projections and the related UPR has been accelerated.

"Fee Income" is estimated at $12 million per annum and is assumed to decline to $3 million by 2020 and then decline to $0 thereafter.

"Operating expenses" were developed by the Rehabilitator's operational management consultants based upon a review of the Company's estimated 2010 operating cost structure and expectations regarding service levels and cost structure required in a runoff scenario. Year-over-year reductions in operating expenses are assumed to commence in 2012, and continue until a maintenance level of annual operating expenditures is reached in 2017, with smaller reductions in operating costs in future years.

"Incurred Losses and LAE" are based upon scenarios and data described in Section VIII, are presented net of estimated R&W Remediation recoveries to the extent that such recoveries are incorporated in a given scenario, and include certain other loss mitigation expenses such as attorney fees.

Unpaid interest expense on Surplus Notes issued to third parties is not included in the Rehabilitator's Financial Projections in accordance with SAP.

"Taxes" are calculated assuming that net operating losses ("NOL") in existence prior to consummation of the Plan are unavailable to AAC. Simplifying assumptions have been employed to calculate projected tax expenses, which may differ from the actual taxes reported by AAC. For example, it was assumed that 35%-50% of AAC's investment income would come from tax-exempt municipal bond investments, which are taxed at a lower rate. Unpaid interest expense associated with Surplus Notes issued to third parties is included in the calculation of AAC's tax liability. No estimate of alternative minimum tax is included in the Rehabilitator's Financial Projections.

(2) Balance Sheet

"Bond" balances are based upon the statutory carrying values and projected cash flows associated with investment holdings as of June 30, 2010, adjusted by redemptions, amortization, liquidations, reinvestment, and accretion over the period of the Rehabilitator's Financial Projections.

"Stocks" reflect investments in Everspan and Ambac UK. The carrying value of AAC's investment in Everspan is expected to grow at 3% per annum through the end of 2025, when Everspan's assets are transferred to AAC and reinvested in securities. The carrying value of AAC's investment in Ambac UK is assumed to be written down to zero in the second half of 2010 and remains unchanged throughout the period of the Rehabilitator's Financial Projections.

"Intercompany Loans" reflect par balances projected by AAC less impairments associated with intercompany loans, which are projected to remain constant over the life of the loans.

"Other Assets" include furniture, equipment and certain receivables such as uncollected and deferred premiums, receivables from affiliates, interest accruals, and reinsurance recoverables. Other Assets are decreased after June 30, 2010, to reflect the collection on various receivables including $205 million reinsurance recoverable and $40 million in interest payments.

"Loss and LAE Reserves" are estimated using a constant discount rate of 5.1% and adjusted in 2010 to reflect certain policy commutations. Claims for policies allocated to the Segregated Account that are presented before the Assumed Consummation Date are projected to remain unpaid until the Assumed Consummation Date.[1]

"Other Liabilities" include accrued expenses, deferred revenue and gains, and reinsurance provisions. This liability is decreased after June 30, 2010, to reflect the payment of certain expenses, revenue recognition, and elimination of the provision for unauthorized reinsurance. Loss and LAE Reserves are reduced by the issuance of Surplus Notes and Junior Surplus Notes.

"Contingency Reserve" is assumed to increase by 50% of recognized unearned premium revenue from AAC's public finance book over the next twenty years. Contingency reserves existing as of June 30, 2010 are assumed to be released in 2029, followed by a gradual release of reserves built up subsequent to June 30, 2010 over the following twenty years and culminating with the release of remaining reserves in 2050.

"Qualified Statutory Surplus" represents the sum of (i) policyholder surplus and (ii) contingency reserves. Policyholder surplus includes the Bank Settlement Notes issued by the General Account and the Weinstein Notes and Surplus Notes issued by the Segregated Account.

"Segregated Account Surplus Notes" are reduced for the par amount of Surplus Notes issued to AAC as a result of AAC's ownership of securities insured by AAC policies allocated to the Segregated Account.

(3) Cash Flow Statement

"Principal Amortization" is derived from the P&I Schedule provided by AAC, certain reinvestment assumptions, periodic repayments/borrowings by ACFI and AFS, and adjusted to reflect AAC's receipt of Surplus Notes in respect of its ownership of securities insured by an AAC policy allocated to the Segregated Account.

[1] Section 1.04 of the Reinsurance Agreement ("Finite Aggregate Coverage Limit") applies in certain years of Scenario 4 to maintain the Minimum Surplus Amount of $100 million by reducing the Loss and LAE Reserve attributable to policies allocated to the Segregated Account. This adjustment is reflected in the "Contractual Adjustment to XOL" line item.

"Losses and LAE" reflects payment in full in cash of all claims on policies in the General Account, and payment of 25% in cash of the amount of claims on policies allocated to the Segregated Account. Losses for policies allocated to the Segregated Account are projected to remain unpaid until the Assumed Consummation Date of December 31, 2010.