

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Case No. 10-15973
Chapter 11

AMBAC FINANCIAL GROUP, INC.

Monthly Operating Report for
the period from August 1, 2011 through August 31, 2011

Debtor's Address:

One State Street
New York, NY 10004

Dewey & LeBoeuf LLP

(Debtor's Attorneys)

Monthly Operating Income (Loss): \$ (103,423,364)

Report Preparer:

The undersigned, having reviewed the attached report and being familiar with the Debtor's financial affairs, verifies under the penalty of perjury that the information contained therein is complete, accurate and truthful to the best of my knowledge.

Date: October 4, 2011



David Trick
Chief Financial Officer



1015973111004000000000011

AMBAC FINANCIAL GROUP, INC.
Case No. 10-15973
DEBTOR IN POSSESSION
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AMBAC FINANCIAL GROUP, INC.
(DEBTOR IN POSSESSION)
NOTES TO MONTHLY OPERATING REPORT

A. Global Notes.

1. Introduction.

On November 8, 2010 (the “Commencement Date”), Ambac Financial Group, Inc., as debtor and debtor in possession (the “Debtor”), filed a voluntary petition (the “Chapter 11 Case”) for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtor continues to operate its business and manage its property as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Additionally, on November 17, 2010, the United States Trustee for the Southern District of New York appointed a statutory committee of creditors pursuant to section 1102(a)(1) of the Bankruptcy Code. Information contained herein may differ from the Debtor’s filings on the Commencement Date due to more accurate information becoming available.

2. GAAP.

The financial statements and supplemental information contained herein are preliminary and unaudited, and may not comply with generally accepted accounting principles in the United States of America (“GAAP”) in all material respects. In addition, the financial statements and supplemental information contained herein represent information for the Debtor only and exclude all non-Debtor affiliates, except to the extent of equity income (loss) reflected on the Statement of Operations or as otherwise noted. The financial statements and supplemental information contained herein are periodically reviewed for appropriate adjustments.

The unaudited financial statements have been derived from the Debtor’s books and records. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with GAAP. Upon application of such procedures (such as tests for asset impairment), the Debtor believes that the financial information could be subject to changes, which could be material. The information furnished in this report includes normal recurring adjustments but does not include all adjustments that would typically be made for financial statements in accordance with GAAP.

3. General Methodology.

The Debtor prepared this Monthly Operating Report (“MOR”) relying primarily upon the information set forth in its books and records. Consequently, certain transactions that are not identified in the normal course of business in the Debtor’s books and records may not be included in this MOR. Nevertheless, in preparing this MOR, the Debtor made reasonable efforts to supplement the information set forth in its books and records with additional information concerning transactions that may not have been identified therein.

4. Past Performance.

The results of operations contained herein are not necessarily indicative of results which may be expected for any other period or for the full year and may not necessarily reflect the consolidated results of operations and financial position of the Debtor in the future.

5. Prepetition vs. Postpetition Liabilities.

The Debtor allocated liabilities between prepetition and postpetition periods based upon the information available at the time of, and research conducted in connection with, the preparation of this MOR. As additional information becomes available and further research is conducted, the Debtor's allocation of liabilities between the prepetition and postpetition periods may change. The liability information, except as otherwise noted, is listed as of the close of business as of the end of the month. Accordingly, the Debtor reserves all rights to amend, supplement or otherwise modify this MOR as necessary and appropriate.

6. Accounts Payable and Accrued Expenses.

To the best of the Debtor's knowledge, all unaudited postpetition trade payables are current as of the date of this filing.

7. Book Value of Assets.

Unless otherwise indicated, the values for assets contained in this MOR are book values as of the end of the month. Amounts ultimately realized from the disposition of the Debtor's assets may materially vary from the stated book value. Thus, unless otherwise noted, this MOR reflects the carrying values of the assets as recorded on the Debtor's books and records as of the end of the month and are not based upon any estimate of their current market value. The Debtor reserves its right to amend or adjust the value of each asset or liability set forth herein.

8. Liabilities Subject to Compromise.

As a result of commencing the Chapter 11 Case, the payment of prepetition indebtedness is subject to compromise or other treatment under a chapter 11 plan. Generally, actions to enforce or otherwise effect payment of prepetition liabilities are stayed.

The filing of the Chapter 11 Case constituted an event of default under, or otherwise triggered repayment obligations with respect to, a number of debt instruments and agreements relating to direct and indirect financial obligations of the Debtor (collectively, the "Prepetition Debt"). As a result, obligations under the Prepetition Debt became automatically and immediately due and payable. The Debtor believes that any efforts to enforce the payment obligations under the Prepetition Debt have been stayed as

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a result of the filing of the Chapter 11 Case. While operating in chapter 11, the Debtor ceased recording interest on the Prepetition Debt subject to compromise.

9. Liabilities Not Subject to Compromise.

Although payment of prepetition claims generally is not permitted, the Bankruptcy Court has authorized the Debtor to pay certain prepetition claims in designated categories and subject to certain terms and conditions. This relief generally was designed to preserve the value of the Debtor's businesses and assets. To the extent such claims have been categorized as "Liabilities Not Subject to Compromise," the Debtor reserves its right to dispute its obligation to make such payments.

The Debtor has been paying and intends to continue to pay undisputed postpetition claims in the ordinary course of business.

10. Reservation of Rights.

Given the complexity of the Debtor's business, inadvertent errors or omissions may have occurred in the preparation of this MOR. Accordingly, the Debtor hereby reserves all of its rights to dispute the validity, status, enforceability or the executory nature of any claim amounts, representations or other statements in this MOR and reserves the right to amend or supplement this MOR, if necessary.

Nothing contained in this MOR shall constitute a waiver of the Debtor's rights or an admission with respect to the Chapter 11 Case, including with respect to any issues involving the Debtor's ownership interests, substantive consolidation, equitable subordination, defenses and/or causes of action arising under the provisions of chapter 5 of the Bankruptcy Code and any other relevant non-bankruptcy laws.

The Debtor is in continuing negotiations with various parties regarding a proposed plan of reorganization. In accordance with such negotiations, certain liabilities contained herein are subject to settlement.

B. Notes to Debtor's Schedule of Receipts and Disbursements.

1. In accordance with the *Final Order Pursuant to Sections 105(a), 345, 363, and 364 of The Bankruptcy Code and Bankruptcy Rule 6004 (I) Authorizing Debtor to Continue Using Existing Cash Management System and Bank Accounts and Honor Related Prepetition Obligations, and (II) Extending Debtor's Time to Comply with Section 345(b) Of The Bankruptcy Code* entered on December 21, 2010 [Docket No. 80] (the "Cash Management Order") and the related motion filed on November 8, 2010 [Docket No. 4] (the "Cash Management Motion"), the Debtor maintains an integrated cash management system (the "Cash Management System") for the purposes of collecting, concentrating, transferring, disbursing, and investing cash.

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Pursuant to the Cash Management Order, the Debtor continues to operate in accordance with its traditional, customary practices. Such practices include, where applicable, reimbursement to Ambac Assurance Corporation (“AAC”) for the Debtor’s allocable share of certain direct and shared expenses paid by AAC.

Before and after the Commencement Date, certain of the disbursements made through the Cash Management System on behalf of the Debtor were directly attributable to expenses associated with personnel, services and goods solely for the benefit of the Debtor (the “Direct Expenses”). In addition to the Direct Expenses, the Debtor also recognizes expenses associated with personnel, services and goods for which it is the partial beneficiary (the “Shared Expenses”), along with AAC, and for which the Debtor reimburses or is allocated a portion of such expenses. These Shared Expenses include certain personnel, operating expenses, lease payments, and other services. The amount of the Shared Expenses allocated and/or settled between the Debtor and AAC is based on, and consistent with, past practice and the Debtor’s management experience. The Shared Expenses are typically allocated between the Debtor and AAC on a monthly or quarterly basis. Per the Cash Management Order, the Debtor maintains accurate records of all transfers and transactions within the Cash Management System so that all postpetition transfers and transactions shall be adequately and promptly documented in, and readily ascertainable from, its books and records, in the same manner maintained by the Debtor prior to the Commencement Date.

Since the Commencement Date, the intercompany settlement process has remained the same, including the approach to allocation. The Debtor, in the ordinary course, accrues for any Shared Expenses at the time they are accrued by AAC. As described above, disbursements made by AAC with respect to Shared Expenses allocable to the Debtor are reflected in the Debtor’s Schedule of Receipts and Disbursements as payments are made by the Debtor to AAC for its settled share, at the time of such settlement, and not at the time such expenses are paid by AAC. Consequently, Other Disbursements reflects intercompany expense allocations for July 2011, along with differentials between the estimated and actual expense allocations for the second quarter of 2011. The Debtor’s September Schedule of Income Receipts and Disbursements will reflect intercompany expense allocations for August and September 2011. Disbursements made with respect to Direct Expenses are also reflected in the Debtor’s Schedule of Receipts and Disbursements during the period in which they are released.

2. Total disbursements for calculating U.S. Trustee fees include amounts earned by certain professionals and satisfied through drawing down on prepetition retainers held by such professionals.

Total disbursements for calculating U.S. Trustee fees also include amounts due from the Debtor to AAC and reimbursed by the Debtor or otherwise settled. Such amounts are not independently reflected as cash disbursements because of netting of intercompany obligations in accordance with the Cash Management Order.

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3. The “Vanguard” Account, #1369, was established using surplus assets from the Debtor’s pension plan that were transferred to the savings incentive plan for Ambac employees (the “Savings Incentive Plan”). The IRS restricts the Debtor from utilizing such amounts for anything other than profit-sharing contributions. In September 2011, after the close of the Debtor’s August books, the Debtor determined that these amounts should not be considered an asset of the Debtor, but rather an asset of the Savings Incentive Plan. Accordingly, beginning in the Debtor’s September 2011 MOR, this account will not appear in the Debtor’s Schedule of Receipts and Disbursements.

4. During the preparation of its August MOR, the Debtor examined the receivables and liabilities that were settled during the course of the month, including intercompany transactions settled in accordance with the Debtor’s cost allocation agreement. In doing so, the Debtor determined that three entries, initially allocated to the post-petition period, were in fact on account of the pre-petition period. These entries are as follows:

(a) Excess Rent Expense. Throughout the term of the Debtor’s pre-petition lease with One State Street LLC (“OSS”), AAC paid the rent directly to OSS and sought reimbursement from its affiliates, including the Debtor, for their allocable share of this expense. In accordance therewith, the Debtor made intercompany payments to AAC, which were calculated based on the Debtor’s portion of the US GAAP expense. At the onset of the lease, AAC received free rent for a limited period. Additionally, the terms of the lease contained rent escalations. Under GAAP accounting rules, the free rent and escalations were spread over the life of the lease. In the interim, the Debtor paid its rent reimbursement to AAC based on the US GAAP expense rather than the payment by AAC to OSS. In the early part of the lease, this led to an overpayment by the Debtor, which would have netted out by the end of the lease due to the rent escalations. Because the Debtor rejected the lease pursuant to a settlement with OSS approved by a Bankruptcy Court order entered on March 24, 2011 [Docket No. 223], such netting did not occur and the Debtor was due a refund from AAC. The Debtor booked this receivable as a post-petition item in the Debtor’s June Statement of Operations and it was automatically settled in August with an intercompany payment by AAC in the amount of \$485,412. During its examination of the draft MOR, Ambac determined that the rent receivable should have been treated as a pre-petition receivable and thereby subject to AAC’s right of setoff.

(b) Savings Incentive Plan Employer Contribution. Certain Ambac affiliates owed amounts to the Debtor for their portion of employer contributions to the Savings Incentive Plan relating to the period when the Savings Incentive Plan was sponsored by the Debtor. The Debtor transferred sponsorship of the Savings Incentive Plan to AAC in December 2010. Settlements were initiated in August from three entities, including AAC. The other two entities were in a net payable to the Debtor, whereas AAC’s amount of \$54,000 was subject to AAC’s right of setoff and should not have been settled.

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(c) Savings Incentive Plan Sponsor Payment. As discussed above, originally, the Savings Incentive Plan was administered by the Debtor. The Savings Incentive Plan was transferred to AAC in December 2010. One of the plan sponsor's roles was to withhold employee contributions from employee wages to disburse to the employees' Savings Incentive Plan accounts. Under Department of Labor rules, the plan sponsor is required to disburse such amounts to the Savings Incentive Plan as soon as practicable but no later than the 15th of the following month. It was determined in July 2011 that such amounts should have been distributed sooner than they were and, accordingly, an interest shortfall was due to the Savings Incentive Plan. The amounts due were paid by AAC and the Debtor was obligated to reimburse AAC for \$72,660, the amount attributable to the period when it was the plan sponsor, which it did in August 2011. During its examination of the draft MOR, Ambac determined that this reimbursement of the interest shortfall should have been treated as a pre-petition liability.

With the consent of the Committee, the Debtor and AAC have agreed to reverse these inadvertent errors and properly settle these transfers along with the balance of the intercompany transactions for the pre-petition period. Such reversals will be settled in October 2011 and reflected in the Debtor's September MOR. It is anticipated that, in such settlement, the Debtor will be the net obligor and thus will not receive any payments from AAC for the pre-petition period.

C. Notes to Statement of Operations (Income Statement).

1. The negative balance in the Cumulative Filing to Date column for Employee Benefits Programs results from a reversal during the month of December 2010 of the Debtor's accrual of post-employment expenses that the Debtor does not intend to pay without prior authorization of the Bankruptcy Court.

2. Reorganization Expenses include (i) adjustments to the carrying amount of liabilities based on estimated allowable claims, including the acceleration of deferred debt costs which were to be amortized over the life of the debt, and (ii) professional fees (as discussed in Notes to Balance Sheet below). Reorganization Expenses also reflects certain prepetition claims settled pursuant to Court order and may in the future reflect additional settlements.

3. The Debtor pays its Delaware franchise tax in advance based upon estimations of its tax liability. A reconciliation the Debtor's tax payments and actual Delaware franchise tax liability on the Debtor's tax return for the year ending December 31, 2010, showed an overpayment of such Delaware franchise tax in the amount of \$38,778, reflected in Taxes – Other. Such amount may be recoverable from the Delaware taxing authority in 2012 depending upon the reconciliation of the Debtor's estimated and actual Delaware franchise tax for the year ending December 31, 2011. As

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a result of uncertainty over the collection of such amounts, the Debtor has reduced this asset to zero in August 2011.

4. The amount of Legal Fees is shown as negative in the Cumulative Filing to Date columns for Other Operating Expenses due to the reclassification in prior months of certain legal fees now allocated to professional retainers.

D. Notes to Balance Sheet.

1. Amounts included in “Book Value on Petition Date or Scheduled” reflect book value as of October 31, 2010, rather than the petition date.

2. The Restricted Cash of \$2.5 million is being held in escrow in connection with certain litigation. This cash was transferred into the escrow account prepetition.

3. Professional Fees include accruals with respect to monthly estimates for professional fees which may not yet have been billed or remain subject to Bankruptcy Court approval and certain contingent success fees for professionals, which have not yet been earned in accordance with the terms of the orders approving such professionals’ retentions. The Debtor typically accrues such success fees as well as unbilled attorney fees on a quarterly basis.

4. The Balance Sheet reflects a negative Net Owner’s Equity because, among other things, the Debtor’s primary subsidiary is AAC which has a negative GAAP equity value which consequently reduces the Debtor’s total assets to a negative amount on an equity basis of accounting.

E. Notes to Summary of Unpaid Postpetition Debts.

For Professional Fees, see Notes to Balance Sheet above.

F. Notes to Payments to Insiders and Professionals.

1. Gross Salary includes taxes and other benefits payable by the Debtor on behalf of such Insider. In accordance with the Cash Management Order, a portion of Gross Salary is reimbursed by AAC to the Debtor.

2. Reimbursement to AAC includes \$68,542 paid by AAC for postpetition Debtor director fees and expense reimbursements.

3. Intercompany Payments represent gross obligations to subsidiaries, not actual cash disbursements. Cash receipts or disbursements are made after netting obligations between and among the Debtor and its subsidiaries.

4. Total Incurred and Unpaid Professional Fees are not intended to correspond with the estimated accrued fees stated in the Income Statement.

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5. Amounts included in “Amount Approved” reflect one hundred percent (100%) of amounts invoiced by professionals as approved by the Debtor. Amounts of professional fees previously incurred but held back in accordance with prior orders of the Bankruptcy Court (the “Holdback Amount”) are reflected in “Total Incurred & Unpaid.”

G. Debtor Questionnaire.

Question 6: See Note 4 to the Debtor’s Schedule of Receipts and Disbursements.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re Ambac Financial Group, Inc.
Debtor

Case No. 10-15973 (SCC)

Reporting Period: August 1-31, 2011

Federal Tax I.D. # 13-3621676

CORPORATE MONTHLY OPERATING REPORT

File with the Court and submit a copy to the United States Trustee within 20 days after the end of the month and submit a copy of the report to any official committee appointed in the case.

(Reports for Rochester and Buffalo Divisions of Western District of New York are due 15 days after the end of the month, as are the reports for Southern District of New York.)

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached
Schedule of Cash Receipts and Disbursements	MOR-1		X
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1 (CONT)	X	
Copies of bank statements		X	
Cash disbursements journals		n/a	
Statement of Operations	MOR-2	X	
Balance Sheet	MOR-3	X	
Status of Post-petition Taxes	MOR-4	X	
Copies of IRS Form 6123 or payment receipt		n/a	
Copies of tax returns filed during reporting period		n/a	
Summary of Unpaid Post-petition Debts	MOR-4	X	
Listing of Aged Accounts Payable		n/a	
Accounts Receivable Reconciliation and Aging	MOR-5	n/a	
Taxes Reconciliation and Aging	MOR-5	n/a	
Payments to Insiders and Professional	MOR-6		X
Post Petition Status of Secured Notes, Leases Payable	MOR-6	n/a	
Debtor Questionnaire	MOR-7		X

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Authorized Individual* David Trick

Date 10/4/11

Printed Name of Authorized Individual David Trick

Date 10/4/11

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Amounts reported should be from the debtor's books and not the bank statement. The beginning cash should be the ending cash from the prior month or, if this is the first report, the amount should be the balance on the date the petition was filed. The amounts reported in the "CURRENT MONTH - ACTUAL" column must equal the sum of the four bank account columns. Attach copies of the bank statements and the cash disbursements journal. The total disbursements listed in the disbursements journal must equal the total disbursements reported on this page. A bank reconciliation must be attached for each account. [See MOR-1 (CON'T)]

ACCOUNT NUMBER (LAST 4)	BANK ACCOUNTS						CURRENT MONTH ACTUAL (TOTAL OF ALL ACCOUNTS)
	OPER CITI9478	INVESTMENT BNY0982	MMF BNY0982	VANGUARD1369	PAYROLL CITI0248		
CASH BEGINNING OF MONTH	\$ (0)	\$ -	\$ 28,256,226	\$ 59,712	\$ 18,611	\$ 28,334,548	
RECEIPTS							
CASH SALES						\$ -	
ACCOUNTS RECEIVABLE - PREPETITION						\$ -	
ACCOUNTS RECEIVABLE - POSTPETITION						\$ -	
LOANS AND ADVANCES						\$ -	
SUBORDINATED PROMISSORY NOTE (PFM)						\$ -	
SALE OF ASSETS						\$ -	
OTHER (ATTACH LIST)	572,035	22,505,273	-	1		\$ 23,077,309	
TRANSFERS (FROM DIP ACCTS)	873,425	878,698	22,505,273			\$ 24,257,396	
TOTAL RECEIPTS	\$ 1,445,460	\$ 23,383,971	\$ 22,505,273	\$ 1	\$ -	\$ 47,334,705	
DISBURSEMENTS							
GROSS PAYROLL						\$ -	
SALES, USE, & OTHER TAXES						\$ -	
INVENTORY PURCHASES						\$ -	
SECURED/ RENTAL/ LEASES						\$ -	
INSURANCE	873,425	-	-			\$ 873,425	
ADMINISTRATIVE						\$ -	
SELLING						\$ -	
OTHER (ATTACH LIST)	482,875	-	-			\$ 482,875	
OWNER DRAW *						\$ -	
TRANSFERS (TO DIP ACCTS)	-	23,383,971	873,425			\$ 24,257,396	
PROFESSIONAL FEES						\$ -	
U.S. TRUSTEE QUARTERLY FEES						\$ -	
COURT COSTS						\$ -	
TOTAL DISBURSEMENTS	\$ 1,356,300	\$ 23,383,971	\$ 873,425	\$ -	\$ -	\$ 25,613,696	
NET CASH FLOW (RECEIPTS LESS DISBURSEMENTS)	\$ 89,160	\$ -	\$ 21,631,848	\$ 1	\$ -	\$ 21,721,009	
CASH - END OF MONTH	\$ 89,160	\$ -	\$ 49,888,074	\$ 59,713	\$ 18,611	\$ 50,055,558	

* COMPENSATION TO SOLE PROPRIETORS FOR SERVICES RENDERED TO BANKRUPTCY ESTATE

THE FOLLOWING SECTION MUST BE COMPLETED

DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)

TOTAL DISBURSEMENTS	\$ 25,613,696
LESS: TRANSFERS TO OTHER DEBTOR IN POSSESSION ACCOUNTS	(24,257,396)
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)	-
LESS: REDUCTION TO RETAINERS	-
PLUS: EXPENSE REIMBURSEMENTS FROM AMBAC ASSURANCE CORPORATION	485,412
TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES	\$ 1,841,712

MOR 1 Category

Accounts:	<u>Operating</u>	<u>Payroll</u>	<u>Investments</u>	<u>Vanguard</u>	<u>Total</u>
<u>Other Receipts</u>					
GS Fin Sq Gov't Interest			\$ 27	\$	27
JPMorgan Prime Interest			1,578		1,578
JPMorgan US Govt Int					-
Baltimore, MD (sale of investment)			11,096,809		11,096,809
Baltimore, MD (sale of investment)			11,406,859		11,406,859
Vanguard Prime Money Market Fund Interest				\$ 1	1
Settlement of Amounts Due Insiders	\$ 572,035				572,035
Grand Total - Receipts	\$ 572,035	\$ -	\$ 22,505,273	\$ 1	\$ 23,077,309
<u>Other Disbursements</u>					
Ambac Assurance Corporation ("AAC"):					
Compensation & Benefits	\$ 25,962			\$	25,962
Expense Allocations	383,000				383,000
Directors' Fees & Travel	68,542				68,542
Insurance Licensing & Filing Fees	266				266
Other	2,911				2,911
Payment to AAC (to be reversed)	72,660				72,660
Reorg Costs - Professional Fees	414,946				414,946
Total Expense Reimbursement to Ambac Assurance	\$ 968,287	\$ -	\$ -	\$ -	\$ 968,287
Expense Allocations	(485,412)				
Total Expense Due from Ambac Assurance	\$ (485,412)	\$ -	\$ -	\$ -	\$ (485,412)
Grand Total - Disbursements	\$ 482,875	\$ -	\$ -	\$ -	\$ 482,875



Balance Summary Report

Bank Name CITIBANK
Customer Number / Name 4855998
Branch Number / Name 930
Account Number / Name 40609478
Account Currency / Type USD
Last Entry Date 08/30/2011
Customer Name AMBAC ASSURANCE CORPORATION
Branch Name NEW YORK CITIBANK - CORPORATE
Account Name AMBAC FIN. GROUP INC CHECKING

Statement Date	Opening Ledger Balance	Current / Closing Ledger Balance	Opening Available Balance	Current / Closing Available Balance	Credit Count	Total Credit Amount	Debit Count	Total Debit Amount
08/31/2011	89,160.00	89,160.00	89,160.00	89,160.00	0	0.00	0	0.00
1 Day Float	0.00	2 Day Float	0.00	3 Day Float	0.00	4 Day Float	0.00	0.00

= Indicates Calculated Balances

SUMMARY OF ASSETS HELD

	<u>MARKET VALUE</u>	<u>EST ANN INCOME</u>	<u>YLD-MKT</u>	<u>% A/C</u>
FIXED INCOME INVESTMENTS	49,888,073.94	47,345.08	.09	100.00
CASH	.00	.00		
ACCOUNT TOTALS	<u>\$49,888,073.94 **</u>	<u>\$47,345.08</u>	<u>.09%</u>	<u>100.00</u>

**Market values agree to books; no reconciliation necessary.

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Overview Participant Lists Approvals

Balance by Fund and Source



Date August 30, 2011 Change Date

Employee Information

Name 91369, FORFEITURE **Pay Code 1** -
SSN XXX-XX-9999 **Pay Code 2** -
Plan 091369-THE AMBAC ASSURANCE CORPORATION SAVINGS INCENTIVE PLAN
Status 00-ACTIVE - ELIGIBLE FOR CONTRIBUTIONS

Fund Name	Fund Number	Source Name	Source Code	Price Per Share	Shares or Units	Balance as of August 30, 2011
Vanguard Prime Money Market Fund	0030	EMPLOYER CONTRIBUTION	DDD	\$1.00	1,713.280	\$1,713.28
Vanguard Prime Money Market Fund	0030	BASIC PROFIT SHARING	FFF	\$1.00	29,049.780	\$29,049.78
Vanguard Prime Money Market Fund	0030	SUPPLEMENTAL PROFIT SHARING	111	\$1.00	28,950.270	\$28,950.27
Total						\$59,713.33

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AMBAC FINANCIAL GROUP, INC
 PAYROLL RECONCILIATION FOR AUGUST 2011
 GENERAL LEDGER ACCOUNT #120.12352

PER BANK	PER BOOK
18,611.26	18,611.00

ENDING BALANCE AT CUTOFF

BANK ADJUSTMENT:

CHECKS OUTSTANDING FROM THE FOLLOWING PAYROLL:

DATE	CHECK#	AMOUNT
------	--------	--------

Difference

18,611.26	18,611.00
	(0.26)



Balance Summary Report

Bank Name	CITIBANK
Customer Number / Name	4855988 AMBAC ASSURANCE CORPORATION
Branch Number / Name	920 DELAWARE CITIBANK
Statement Date	08/31/2011
Last Entry Date	07/15/2011

Account Number	USD	Opening Ledger Balance	Current / Closing Ledger Balance	Opening Available Balance	Current / Closing Available Balance	Credit/Debit Count	Total Credit Amount	Total Debit Amount
38700248		18,611.26	18,611.26	18,611.26	18,611.26	0 / 0	0.00	0.00
1 Day Float		0.00	0.00	0.00	0.00		0.00	0.00
		2 Day Float		3 Day Float			4 Day Float	

= Indicates Calculated Balances

In re Ambac Financial Group, Inc.
Debtor

Case No. 10-15973 (SCC)
Reporting Period: August 1-31, 2011

STATEMENT OF OPERATIONS (Income Statement)

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

REVENUES	MONTH	CUMULATIVE -FILING TO DATE
Gross Revenues		
Less: Returns and Allowances		
Net Revenue		
COST OF GOODS SOLD		
Beginning Inventory		
Add: Purchases		
Add: Cost of Labor		
Add: Other Costs (<i>attach schedule</i>)		
Less: Ending Inventory		
Cost of Goods Sold		
Gross Profit		
OPERATING EXPENSES		
Advertising		
Auto and Truck Expense		
Bad Debts		
Contributions		
Employee Benefits Programs	\$ -	\$ (317,854)
Officer/Insider Compensation*	68,542	1,737,590
Insurance	72,785	72,785
Management Fees/Bonuses		
Office Expense	-	9,572
Pension & Profit-Sharing Plans		
Repairs and Maintenance		
Rent and Lease Expense	-	571
Salaries/Commissions/Fees		
Supplies	-	625
Taxes - Payroll	-	37,809
Taxes - Real Estate		
Taxes - Other	38,778	(8,595)
Travel and Entertainment		
Utilities		
Other (<i>attach schedule</i>)	292,051	(217,204)
Total Operating Expenses Before Depreciation	\$ 472,156	\$ 1,315,299
Depreciation/Depletion/Amortization		
Net Profit (Loss) Before Other Income & Expenses	\$ (472,156)	\$ (1,315,299)
OTHER INCOME AND EXPENSES		
Other Income (<i>attach schedule</i>)	13,657	2,253,240
Interest Expense		
Other Expense (<i>attach schedule</i>) ⁽¹⁾	102,493,539	1,115,244,324
Net Profit (Loss) Before Reorganization Items	(102,952,038)	(1,114,306,383)

In re Ambac Financial Group, Inc.

Case No. 10-15973 (SCC)

Debtor

Reporting Period: August 1-31, 2011

REORGANIZATION ITEMS		
Professional Fees	471,326	23,574,900
U. S. Trustee Quarterly Fees	-	30,879
Interest Earned on Accumulated Cash from Chapter 11 (<i>see continuation sheet</i>)		
Gain (Loss) from Sale of Equipment		
Other Reorganization Expenses (<i>attach schedule</i>)	-	40,483,947
Total Reorganization Expenses	471,326	64,089,726
Income Taxes		
Net Profit (Loss)	(103,423,364)	(1,178,396,109)

*"Insider" is defined in 11 U.S.C. Section 101(31).

BREAKDOWN OF "OTHER" CATEGORY

OTHER COSTS

OTHER OPERATIONAL EXPENSES

Audit and consulting	5,417	15,777
Outside services	-	114,304
Flex spending expense adjustment	-	(1,700)
Legal fees	-	(996,759)
Printing	-	78,273
Net expense allocations among affiliates	278,000	403,968
Other disbursements	8,634	165,456
Subscription and data access	-	3,477

OTHER INCOME

Investment and other income	13,657	253,240
Payment from Ambac Assurance	-	2,000,000

OTHER EXPENSES

Net loss (gain) on wholly-owned subsidiaries for the period	102,493,539	1,115,244,324

OTHER REORGANIZATION EXPENSES

Adjustments to carrying amount of debt	-	26,476,579
Lease settlement	-	14,007,368

Debtor

Reporting Period: August 1-31, 2011**BALANCE SHEET**

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from post-petition obligations.

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE AT END OF PRIOR REPORTING MONTH	BOOK VALUE ON PETITION DATE OR SCHEDULED
CURRENT ASSETS			
Unrestricted Cash and Equivalents	\$ 50,001,329	\$ 28,334,548	\$ 51,664,858
Restricted Cash and Cash Equivalents (<i>see continuation sheet</i>)	2,500,000	2,500,000	-
Accounts Receivable (Net)			
Notes Receivable	862,112	862,112	646,584
Inventories			
Prepaid Expenses	800,639	-	-
Professional Retainers	4,061,665	4,061,665	-
Other Current Assets (<i>attach schedule</i>)	61,251	22,581,652	22,595,996
TOTAL CURRENT ASSETS	58,286,996	58,339,977	74,907,438
PROPERTY & EQUIPMENT			
Real Property and Improvements			
Machinery and Equipment			
Furniture, Fixtures and Office Equipment			
Leasehold Improvements			
Vehicles			
Less: Accumulated Depreciation			
TOTAL PROPERTY & EQUIPMENT			
OTHER ASSETS			
Amounts due from Insiders*	-	469,958	2,031,707
Other Assets (<i>attach schedule</i>)	(1,167,172,391)	(1,051,014,852)	(189,319,094)
TOTAL OTHER ASSETS	(1,167,172,391)	(1,050,544,894)	(187,287,387)
TOTAL ASSETS	\$ (1,108,885,395)	\$ (992,204,917)	\$ (112,379,949)
LIABILITIES AND OWNER EQUITY	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE AT END OF PRIOR REPORTING MONTH	BOOK VALUE ON PETITION DATE
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)			
Accounts Payable			
Taxes Payable (<i>refer to FORM MOR-4</i>)	\$ -	\$ -	\$ 45,950
Wages Payable			
Notes Payable			
Rent / Leases - Building/Equipment			
Secured Debt / Adequate Protection Payments			
Professional Fees	14,428,927	14,367,130	4,000,000
Amounts Due to Insiders*	317,775	1,044	-
Other Post-petition Liabilities (<i>attach schedule</i>)	7,788	7,788	-
TOTAL POST-PETITION LIABILITIES	14,754,490	14,375,962	4,045,950
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)			
Secured Debt			
Priority Debt			
Unsecured Debt	1,707,916,518	1,708,170,624	1,695,259,764
TOTAL PRE-PETITION LIABILITIES	1,707,916,518	1,708,170,624	1,695,259,764
TOTAL LIABILITIES	1,722,671,008	1,722,546,586	1,699,305,714
OWNERS' EQUITY			
Capital Stock	3,080,168	3,080,168	3,080,168
Additional Paid-In Capital	2,172,026,548	2,172,026,548	2,186,743,295
Partners' Capital Account			
Owner's Equity Account			
Retained Earnings - Pre-Petition	(3,896,443,042)	(3,896,443,042)	(3,889,596,442)
Retained Earnings - Post-petition	(1,216,590,805)	(1,113,167,441)	-
Adjustments to Owner Equity (<i>attach schedule</i>)	106,370,728	119,752,264	(111,912,684)
Post-petition Contributions (<i>attach schedule</i>)			
NET OWNERS' EQUITY	(2,831,556,403)	(2,714,751,503)	(1,811,685,663)
TOTAL LIABILITIES AND OWNERS' EQUITY	\$ (1,108,885,395)	\$ (992,204,917)	\$ (112,379,949)

**Insider" is defined in 11 U.S.C. Section 101(31).

BALANCE SHEET - continuation section

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE AT END OF PRIOR REPORTING MONTH	BOOK VALUE ON PETITION DATE
Other Current Assets			
Variable rate demand obligations	-	22,500,000	22,500,000
Receivable for securities	46	46	43,839
Investment income due and accrued	61,205	43,094	52,157
State franchise tax receivable	-	38,512	-
Other Assets			
Investment in subsidiaries	(1,169,543,198)	(1,053,668,123)	(213,670,849)
Other receivables	-	282,464	1,493,245
Deferred debt costs	-	-	19,625,591
Loan receivable	2,370,807	2,370,807	3,232,919
LIABILITIES AND OWNER EQUITY	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE AT END OF PRIOR REPORTING MONTH	BOOK VALUE ON PETITION DATE
Other Post-petition Liabilities			
Other	7,788	7,788	-
Adjustments to Owner's Equity			
Treasury stock	(411,419,423)	(411,419,423)	(449,569,100)
Accumulated other comprehensive gain	517,790,151	531,171,687	337,656,416
Post-Petition Contributions			

Restricted Cash: Cash that is restricted for a specific use and not available to fund operations. Typically, restricted cash is segregated into a separate account, such as an escrow account.

STATUS OF POST-PETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.

Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.

Attach photocopies of any tax returns filed during the reporting period.

Federal	Beginning Tax	Amount Withheld and/or Accrued	Amount Paid	Date Paid	Reference No.	Ending Tax
Withholding	0					\$ -
FICA-Employee	0					-
FICA-Employer	0					-
Unemployment	0					-
Income						
Other: _____						
Total Federal Taxes						\$ -
State and Local						
Withholding	0					\$ -
Sales						
Excise						
Unemployment						
Real Property						
Personal Property						
Other: NY Commuter	0					-
Total State and Local		\$ -	\$ -			\$ -
Total Taxes	0	\$ -	\$ -			\$ -

SUMMARY OF UNPAID POST-PETITION DEBTS

Attach aged listing of accounts payable.

	Number of Days Past Due					Total
	Current	0-30	31-60	61-90	Over 91	
Accounts Payable						
Wages Payable						
Taxes Payable						
Rent/Leases-Building						
Rent/Leases-Equipment						
Secured Debt/Adequate Protection Payments						
Professional Fees	\$ 14,428,927					
Amounts Due to Insiders	317,775					
Other: _____	7,788					
Other: _____						
Total Post-petition Debts	\$ 14,754,490					

Explain how and when the Debtor intends to pay any past due post-petition debts.

In re Ambac Financial Group, Inc.
Debtor

Case No. 10-15973 (SCC)
 Reporting Period: August 1-31, 2011

ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation	Amount
Total Accounts Receivable at the beginning of the reporting period	
Plus: Amounts billed during the period	
Less: Amounts collected during the period	
Total Accounts Receivable at the end of the reporting period	

Accounts Receivable Aging	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
0 - 30 days old					
31 - 60 days old					
61 - 90 days old					
91+ days old					
Total Accounts Receivable					
Less: Bad Debts (Amount considered uncollectible)					
Net Accounts Receivable					

TAXES RECONCILIATION AND AGING

Taxes Payable	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
0 - 30 days old					
31 - 60 days old					
61 - 90 days old					
91+ days old					
Total Taxes Payable					
Total Accounts Payable					

PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown on the Cash Receipts and Disbursements Report (MOR-1) list the amount paid to insiders (as defined in Section 101(31) (A)-(F) of the U.S. Bankruptcy Code) and to professionals. For payments to insiders, identify the type of compensation paid (e.g. Salary, Bonus, Commissions, Insurance, Housing Allowance, Travel, Car Allowance, Etc.). Attach additional sheets if necessary.

INSIDERS						
NAME	TYPE OF PAYMENT	AMOUNT PAID	EMPLOYER TAX	BENEFIT DEDUCTIONS	TOTAL PAID DURING THE MONTH	TOTAL PAID TO DATE
Michael Callen	Gross Salary	\$ -	\$ -	\$ -	\$ -	\$ 197,105
David Wallis	Gross Salary					762,105
Diana Adams	Gross Salary					128,576
David Trick	Gross Salary					69,488
David Wallis	Restricted Stock Unit Settlement					7,027
Diana Adams	Restricted Stock Unit Settlement					148
Kevin Doyle	Restricted Stock Unit Settlement					6,524
David Trick	Restricted Stock Unit Settlement					1,835
Robert Eisman	Restricted Stock Unit Settlement					1,876
Ambac Assurance Corporation	Intercompany Payments	968,287			968,287	17,057,240
TOTAL PAYMENTS TO INSIDERS		\$ 968,287	\$ -	\$ -	\$ 968,287	\$ 18,231,924

* Employer taxes for these RSU settlements paid by Ambac Assurance Corporation.

PROFESSIONALS					
NAME	DATE OF COURT ORDER AUTHORIZING RETENTION	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID*
Blackstone Advisory Partners LP	12/21/2010	\$ 201,691	\$ 161,691	\$ 1,327,345	\$ 437,931
Cornerstone Research, Inc.	3/24/2011	-	-	46,254	4,977
Dewey & LeBoeuf LLP	12/21/2010	-	-	8,261,856	3,632,631
KPMG LLP	1/19/2011	28,822	23,057	195,660	60,665
Kurtzman Carson Consultants, LLC	11/9/2010	110,150	110,150	823,783	189,824
Lazard Freres & Co. LLC	12/21/2010	150,048	120,048	929,967	461,453
Morrison & Foerster LLP	12/21/2010	-	-	2,241,027	1,487,241
Wachtell, Lipton, Rosen & Katz	2/18/2011	-	-	617,976	213,509
Lathrop and Clark LLP	7/6/2011	-	-	-	5,177
Buttner Hammock and Company	7/15/2011	-	-	-	436,148
Whyte Hirschboeck and Dudek SC	7/15/2011	-	-	-	5,323
TOTAL PAYMENTS TO PROFESSIONALS		\$ 490,710	\$ 414,946	\$ 14,443,868	\$ 6,934,878

* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

POST-PETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENT DUE	AMOUNT PAID DURING MONTH	TOTAL UNPAID POST-PETITION
TOTAL PAYMENTS			

DEBTOR QUESTIONNAIRE

Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheets if necessary.		Yes	No
1	Have any assets been sold or transferred outside the normal course of business this reporting period?		X
2	Have any funds been disbursed from any account other than a debtor in possession account this reporting period?		X
3	Is the Debtor delinquent in the timely filing of any post-petition tax returns?		X
4	Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies?		X
5	Is the Debtor delinquent in paying any insurance premium payment?		X
6	Have any payments been made on pre-petition liabilities this reporting period?	X	
7	Are any post petition receivables (accounts, notes or loans) due from related parties?		X
8	Are any post petition payroll taxes past due?		X
9	Are any post petition State or Federal income taxes past due?		X
10	Are any post petition real estate taxes past due?		X
11	Are any other post petition taxes past due?		X
12	Have any pre-petition taxes been paid during this reporting period?		X
13	Are any amounts owed to post petition creditors delinquent?		X
14	Are any wage payments past due?		X
15	Have any post petition loans been received by the Debtor from any party?		X
16	Is the Debtor delinquent in paying any U.S. Trustee fees?		X
17	Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		X
18	Have the owners or shareholders received any compensation outside of the normal course of business?		X

* Pursuant to the Cash Management Order, the Debtor has retained the use of its prepetition accounts and processes and has not established new debtor-in-possession accounts.