

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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	:
<i>In re</i>	:
	:
	: Chapter 11
AMBAC FINANCIAL GROUP, INC.,	:
	:
	: Case No. 10-15973 (SCC)
Debtor.	:
	:
	:
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**ORDER CONFIRMING FIFTH AMENDED PLAN OF
REORGANIZATION OF AMBAC FINANCIAL GROUP, INC.**

Ambac Financial Group, Inc., as debtor and debtor in possession in the above-captioned chapter 11 case (the “Debtor”), having filed with the Bankruptcy Court the *Fifth Amended Plan of Reorganization of Ambac Financial Group, Inc.* on March 12, 2012 [Docket No. 927], and the Plan Exhibits (as defined below) (together, as the same may be amended, the “Plan”);¹ and the Bankruptcy Court having approved the Debtor’s Disclosure Statement by order, dated October 5, 2011 [Docket No. 618] (the “Disclosure Statement Order”); and due notice of entry of the Disclosure Statement Order, the Confirmation Hearing, and the deadline for voting on and/or objecting to the Plan having been provided to all holders of Claims against and Equity Interests in the Debtor and all other parties in interest, as established by the certificates of service and mailing and publication filed with the Bankruptcy Court, in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), and the Disclosure Statement Order; and such notice being sufficient and no further notice being required; and the Confirmation Hearing having been held on March 13, 2012; and based upon and after full consideration of the entire record of the Confirmation Hearing, including (i) the Plan, the Disclosure Statement, and the Disclosure Statement Order,

¹ Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.



(ii) the Debtor's memorandum of law in support of confirmation of the Plan and in response to objections thereto, filed with the Bankruptcy Court on March 6, 2012 [Docket No. 863], (iii) the declaration of Stephen M. Ksenak in support of confirmation of the Plan, filed with the Bankruptcy Court on March 6, 2012 [Docket No. 864] (the "Ksenak Declaration"), (iv) the declaration of C.J. Brown in support of confirmation of the Plan, filed with the Bankruptcy Court on March 6, 2012 [Docket No. 865] (the "Brown Declaration"), and (v) the certification of Kurtzman Carson Consultants LLC regarding the tabulation of votes, filed with the Bankruptcy Court on March 8, 2012 [Docket No. 876] (the "Vote Certification"); and the Bankruptcy Court having reviewed and considered the foregoing documents and all objections to confirmation of the Plan (the "Objections"); and all Objections having been withdrawn, resolved, mooted, or overruled; and upon all of the proceedings had before the Bankruptcy Court and upon the entire record of the Confirmation Hearing, including evidence proffered and adduced at such hearing; and the Bankruptcy Court having determined that the Plan should be confirmed; and after due deliberation and sufficient cause appearing therefor, IT IS HEREBY FOUND AND DETERMINED:

FINDINGS OF FACT AND CONCLUSIONS OF LAW²

I. Notice and Jurisdiction

A. Jurisdiction and Venue. The Bankruptcy Court has jurisdiction over the Chapter 11 Case pursuant to 28 U.S.C. § 1334. Confirmation of the Plan is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Bankruptcy Court pursuant to 28 U.S.C. §§ 1408 and 1409.

² The findings of fact and the conclusions of law set forth herein shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable pursuant to Bankruptcy Rule 9014. To the extent any provision designated herein as a finding of fact is more appropriate characterized as a conclusion of law, it shall be so deemed, and vice versa.

B. Commencement and Administration of the Chapter 11 Case. The Debtor commenced its Chapter 11 Case on November 8, 2010 and has operated its businesses and managed its properties as debtor in possession pursuant to Bankruptcy Code sections 1107(a) and 1108. No trustee or examiner has been appointed in the Chapter 11 Case.

C. Solicitation and Notice. Service of the Solicitation Packages (as defined in the Disclosure Statement Order) upon holders of Claims and Equity Interests was in compliance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Disclosure Statement Order and provided due process to all known parties in interest in the Chapter 11 Case. Moreover, publication of the notice of the Confirmation Hearing in the national edition of the Wall Street Journal pursuant to the Disclosure Statement Order provided adequate and sufficient notice of such hearing and the deadline for objecting to the Plan to all unknown parties in interest.

D. Voting. The Debtor has solicited votes in good faith and in compliance with the applicable provisions of the Bankruptcy Code and the votes to accept or reject the Plan were tabulated fairly, in good faith, and in a manner consistent with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Disclosure Statement Order.

E. Plan Exhibits. The Plan includes the following documents as exhibits thereto: the Amended TSA, the Cooperation Agreement Amendment, the Cost Allocation Agreement, the New By-Laws, the New Certificate of Incorporation, the Offer Letter, the Ruling Request Agreement, the Schedule of Assumed Executory Contracts and Leases, and the Warrant Agreement (together, the "Plan Exhibits"). The Plan Exhibits comply with and are necessary to implement the Plan and the filing and notice of such documents is good and proper in accordance

with the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules and no other or further notice is or shall be required.

F. Modifications and Amendments. To the extent that the Plan has been modified or amended subsequent to its solicitation, such modifications or amendments do not materially change the treatment of any Claims or Equity Interests. Accordingly, pursuant to Bankruptcy Code section 1127 and Bankruptcy Rule 3019, such modifications or amendments do not require additional disclosure pursuant to Bankruptcy Code section 1125 or re-solicitation of votes pursuant to Bankruptcy Code section 1126, nor do they require that holders of Claims or Equity Interests be afforded an opportunity to change previously cast votes on the Plan.

II. Compliance With Bankruptcy Code Section 1129

G. Burden of Proof. The Debtor has met its burden of demonstrating by a preponderance of the evidence that the Plan complies with the requirements of Bankruptcy Code section 1129, to the extent applicable.

H. Bankruptcy Rule 3016. The Introduction of the Plan identifies the Debtor as the Plan proponent, thereby satisfying the requirements of Bankruptcy Rule 3016(a). The filing of the Disclosure Statement with the Clerk of the Bankruptcy Court satisfies Bankruptcy Rule 3016(b).

I. Section 1129(a)(1): Compliance with All Applicable Provisions of the Bankruptcy Code. As set forth in greater detail below, the Plan complies fully with the requirements of sections 1122 and 1123 and all other applicable provisions of the Bankruptcy Code, thereby satisfying Bankruptcy Code section 1129(a)(1). The failure to specifically address a provision of the Bankruptcy Code in this Confirmation Order shall not diminish its effectiveness.

J. Sections 1122 and 1123(a)(1): Proper Classification. As required by Bankruptcy Code section 1123(a)(1), in addition to Administrative Claims, Claims for Accrued Professional Compensation, and Priority Tax Claims, which need not be classified, Article II of the Plan designates seven Classes of Claims and one Class of Equity Interests: Class 1 (Priority Non-Tax Claims), Class 2 (Secured Claims), Class 3 (General Unsecured Claims), Class 4 (Senior Notes Claims), Class 5 (Subordinated Notes Claims), Class 6 (Section 510(b) Claims), Class 7 (Intercompany Claims), and Class 8 (Equity Interests). As required by Bankruptcy Code section 1122(a), each Claim or Equity Interest, as the case may be, in each particular Class is substantially similar to the other Claims or Equity Interests in such Class. Valid business, factual, and legal reasons exist for separately classifying the various Claims and Equity Interests created under the Plan and such Classes do not unfairly discriminate between holders of Claims and Equity Interests or prejudice the rights of holders of such Claims and Equity Interests. The classification of Claims and Equity Interests in the Plan is reasonable and necessary to implement the Plan. The Plan adequately and properly classifies all Claims and Equity Interests and therefore satisfies the requirements of Bankruptcy Code sections 1122 and 1123(a)(1).

K. Section 1123(a)(2): Specification of Unimpaired Classes. Articles III.B.1 and 2 of the Plan identify Classes 1 and 2 as Unimpaired and specify the treatment of such Claims, thereby satisfying the requirements of Bankruptcy Code section 1123(a)(2).

L. Section 1123(a)(3): Specification of Impaired Classes. Articles III.B.3-8 of the Plan identify Classes 3-8 as Impaired and specify the treatment of such Claims, thereby satisfying the requirements of Bankruptcy Code section 1123(a)(3).

M. Section 1123(a)(4): No Discrimination. The Plan provides for the same treatment of each Claim against the Debtor in each respective Class unless the holder of a particular Claim

has agreed to less favorable treatment on account of such Claim, thereby satisfying the requirements of Bankruptcy Code section 1123(a)(4).

N. Section 1123(a)(5): Implementation of the Plan. The Plan provides adequate and proper means for implementation of the Plan, thereby satisfying the requirements of Bankruptcy Code section 1123(a)(5).

O. Section 1123(a)(6): Non-Voting Equity Securities. As set forth in Article IV.B of the Plan, the New Certificate of Incorporation does not permit the Reorganized Debtor to issue nonvoting equity securities, to the extent prohibited by Bankruptcy Code section 1123(a)(6), thereby satisfying the requirements of such section.

P. Section 1123(a)(7): Directors and Officers. Article IV.K of the Plan sets forth provisions regarding the manner of selection of the New Board that are consistent with the interests of creditors, equity security holders, and public policy, in accordance with Bankruptcy Code section 1123(a)(7).

Q. Section 1123(b)(1): Impairment/Unimpairment of Classes of Claims and Equity Interests. As noted above, Articles III.B.1 and 2 identify Classes 1 and Class 2 as Unimpaired and Articles III.B.3-8 identify Classes 3-8 as Impaired, as permitted by Bankruptcy Code section 1123(b)(1).

R. Section 1123(b)(2): Assumption and Rejection of Executory Contracts. Article V.A of the Plan provides for the rejection of all of the Debtor's executory contracts and unexpired leases as of the Effective Date, except for any executory contract or unexpired lease that (i) was assumed or rejected previously by the Debtor, (ii) previously expired or terminated pursuant to its terms, (iii) is the subject of a motion to assume or reject filed on or before the Effective Date, or (iv) is identified on the Schedule of Assumed Executory Contracts and

Unexpired Leases. Moreover, the Debtor has satisfied the provisions of Bankruptcy Code section 365 with respect to the assumption and rejection of executory contracts and unexpired leases pursuant to the Plan, other than the executory contracts and unexpired leases which require a hearing to resolve an objection regarding the Debtor's proposed Cure Claim, assumption, or rejection. The Debtor has cured or provided adequate assurance that the Reorganized Debtor will cure defaults, if any, under or relating to each of the executory contracts and unexpired leases identified in the Schedule of Assumed Executory Contracts and Unexpired Leases.

S. Section 1123(b)(3): Settlement or Retention of Claims or Equity Interests.

- (i) Amended Plan Settlement. Article IV.I of the Plan provides that subject to limited exceptions, entry of this Confirmation Order constitutes an order approving the Amended Plan Settlement and the releases associated therewith. The Amended Plan Settlement is the cornerstone of the Plan. It is (a) the product of the Debtor's business judgment, (b) fair and equitable, (c) a necessary component to the feasibility of the Plan, (d) falls well above the lowest point in the range of reasonableness, (e) is in the best interests of the Debtor, its Estate, and all holders of Claims and Equity Interests, (f) does not violate the absolute priority rule, and (g) was negotiated at arm's length and in good faith with the assistance of experienced counsel and financial advisors.
- (ii) Injunction, Exculpation, and Release Provisions.
 - (a) Injunction. The injunction provisions set forth in Article VIII.B of the Plan are essential to the Plan and necessary to preserve and enforce the Plan.
 - (b) Exculpation. The exculpation provision set forth in Article VIII.C of the Plan is essential to the Plan. The record in the Chapter 11 Case fully supports such exculpation provision, which is appropriately tailored to protect the Released Parties from inappropriate litigation related to acts or omissions in connection with the Debtor's restructuring.
 - (c) General Releases by the Debtor. The release of Claims and Causes of Action by the Debtor set forth in Article VIII.D of the Plan pursuant to Bankruptcy Code section 1123(b)(3)(A) represents a valid exercise of the Debtor's business judgment.

- (d) General Release by Holders of Claims and Equity Interests. The release of Claims and Causes of Action by holders of Claims and Equity Interests set forth in Article VIII.E of the Plan is appropriate and warranted, given the unique circumstances of the Chapter 11 Case. Such release was negotiated for by OCI and is an integral part of the consideration to be provided in exchange for the compromises and resolutions embodied in the Amended Plan Settlement. In approving such release, the Bankruptcy Court has determined that it is (1) in exchange for good, valuable, and significant consideration provided by the Released Parties, (2) a good faith settlement and compromise of the Claims released, (3) in the best interests of the Debtor and all holders of Claims and Equity Interests, (4) fair and equitable, (5) necessary to the Plan because the enjoined Claims and Causes of Action would directly impact the Debtor's reorganization (as many of the Released Parties are beneficiaries of indemnity obligations), (6) given and made after notice and opportunity for a hearing, (7) a product of the Amended Plan Settlement, and (8) a bar to any holders of Claims and Equity Interests asserting any Claim or Cause of Action released by such provision to the fullest extent permitted by applicable law.
- (e) Releases Required Pursuant to the Stipulation of Settlement. The release of Claims and Causes of Action set forth in Article VIII.F of the Plan is appropriate and warranted. Such release reflects the settlement of complex issues in the Securities and Derivative Actions, and moreover, such release is required pursuant to the Stipulation of Settlement previously approved by the Bankruptcy and District Courts. In approving such release, the Bankruptcy Court has determined that it is (1) in exchange for good, valuable, and significant consideration provided by the parties being released, (2) a good faith settlement and compromise of the Claims released, (3) in the best interests of the Debtor and all holders of Claims and Equity Interests, (4) fair and equitable, (5) necessary to the Plan because the enjoined Claims and Causes of Action would directly impact the Debtor's reorganization (as many of the Released Parties are beneficiaries of indemnity obligations), (6) given and made after notice and opportunity for a hearing, (7) a product of the Stipulation of Settlement, and (8) a bar to any holders of Claims and Equity Interests asserting any Claim or Cause of Action released by such provisions to the extent permitted by applicable law.
- (f) Additional Releases Contemplated by the Amended Plan Settlement. The mutual releases contemplated in Article I.A.19.(ix) of the Plan reflect the settlement and resolution of complex issues and are an integral part of the consideration to be

provided in connection with the Amended Plan Settlement. Such releases are a critical component of the Amended Plan Settlement. In approving such releases, the Bankruptcy Court has determined that such releases are (1) in exchange for good, valuable, and significant consideration provided by the parties being released, (2) a good faith settlement and compromise of the Claims released by the releasing parties, (3) in the best interests of the Debtor and all holders of Claims and Equity Interests, (4) fair and equitable, (5) necessary to the Plan because the released Claims and Causes of Action would directly impact the Debtor's reorganization (as many of the Released Parties are beneficiaries of indemnity obligations), (6) given and made after notice and opportunity for a hearing, and (7) a product of the Amended Plan Settlement.

The Amended Plan Settlement and the Plan's injunction, exculpation, and release provisions are permitted by applicable law, within the jurisdiction of the Bankruptcy Court under 28 U.S.C. § 1334, an essential means for implementing the Plan, in the best interests of the Debtor and its Estate, critical to the Plan's objective of finally resolving all Claims among parties in interest, and consistent with the Bankruptcy Code and applicable law, and accordingly, are permitted pursuant to Bankruptcy Code section 1123(b)(3).

T. Section 1123(d): Cure of Defaults. Article V.B of the Plan provides for the satisfaction of default Claims associated with each executory contract and unexpired lease to be assumed pursuant to the Plan. The Cure Claims identified in the Schedule of Assumed Executory Contracts and Leases represent the amount, if any, the Debtor proposes to pay in full and complete satisfaction of such default Claims. Any disputed Cure Claim amount will be determined in accordance with the underlying agreements and applicable law. Accordingly, the Plan complies with Bankruptcy Code section 1123(d).

U. Section 1129(a)(2): Plan Proponent's Compliance With the Bankruptcy Code. The Debtor, as the Plan proponent, has complied with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules, except to the extent otherwise permitted by order of the Bankruptcy Court. Accordingly, the requirements of Bankruptcy Code section 1129(a)(2) are satisfied.

V. Section 1129(a)(3): Plan Proposed in Good Faith and Not by Any Means Forbidden by Law. The Debtor has proposed and negotiated the Plan, including the Plan Exhibits and other documents necessary to effectuate the Plan, in good faith and not by any means forbidden by law, thereby complying with Bankruptcy Code section 1129(a)(3). The Debtor's good faith is evident from the Ksenak Declaration, the Brown Declaration, and the record of the Chapter 11 Case. Based on the evidence presented, the Bankruptcy Court finds that the Plan has been proposed with the legitimate purpose of maximizing the return available to creditors. The Plan's classification of Claims and Equity Interests, injunction, exculpation, and release provisions have been negotiated in good faith and at arm's length, are consistent with the Bankruptcy Code, and are each necessary to the Debtor's successful emergence from chapter 11. Accordingly, the Plan and all related documents have been filed in good faith and the Debtor has satisfied its obligations under Bankruptcy Code section 1129(a)(3).

W. Section 1129(a)(4): Payments by the Debtor for Services or Fees and Expenses. Article II.C of the Plan provides that Professionals seeking an award of compensation for services rendered or expenses incurred through and including the Effective Date must file their applications for the allowance of such compensation no later than sixty days after the Effective Date. Pursuant to the interim application procedures established in the Chapter 11 Case and Bankruptcy Code section 331, any and all payments made or to be made by the Debtor for services in connection with the Chapter 11 Case have been approved by, or are subject to the approval of, the Bankruptcy Court as reasonable under Bankruptcy Code section 330. Therefore, the requirements of Bankruptcy Code section 1129(a)(4) are satisfied.

X. Section 1129(a)(5): Directors, Officers, and Insiders. The Debtor has complied with Bankruptcy Code section 1129(a)(5). Pursuant to Article IV.K of the Plan, the New Board

will be comprised of the Reorganized Debtor's Chief Executive Officer and four additional directors identified in the Ksenak Declaration. The nature of compensation paid to any insider directors of the Reorganized Debtor has been disclosed in the Ksenak Declaration.

Y. Section 1129(a)(6): Plan Does Not Contain Rate Changes. Bankruptcy Code section 1129(a)(6) is inapplicable to the Debtor, which does not charge rates subject to the jurisdiction of any governmental regulatory agency.

Z. Section 1129(a)(7): Best Interests of Creditors and Equity Interest Holders. The liquidation analysis attached as Exhibit D to the Disclosure Statement [Docket No. 593] and the other evidence in support of the Plan proffered or adduced at, prior to, or in connection with the Confirmation Hearing were accurate as of the time they were prepared and subsequent developments have not rendered them inaccurate in any material respect, are based on reasonable methodologies and assumptions, provide a reasonable estimate of the Debtor's liquidation value upon conversion to a case under chapter 7 of the Bankruptcy Code, and establish that each holder of Allowed Claims and Equity Interests will recover property of a value at least as much under the Plan on account of such Claims or Equity Interest, as of the Effective Date, as the amount such holder would receive if the Debtor were liquidated under chapter 7. Accordingly, the requirements of Bankruptcy Code section 1129(a)(7) are satisfied.

AA. Section 1129(a)(8): Acceptance by Certain Classes. Classes 1 and 2 are deemed to accept the Plan pursuant to Bankruptcy Code section 1126(f) and Classes 3, 4, and 5 voted to accept the Plan. Accordingly, Bankruptcy Code section 1129(a)(8) has been satisfied with respect to Classes 1 through 5. Although Bankruptcy Code section 1129(a)(8) has not been satisfied with respect to Classes 6, 7, and 8 (the "Rejecting Classes"), which are deemed not to have accepted the Plan pursuant to Bankruptcy Code section 1126(g), the Plan is confirmable

because it does not discriminate unfairly and is fair and equitable with respect to the Rejecting Classes, and thus, satisfies Bankruptcy Code section 1129(b).

BB. Section 1129(a)(9): Treatment of Priority Claims. The treatment of Administrative Claims, Accrued Professional Compensation Claims, Priority Tax Claims, and Priority Non-Tax Claims satisfies the requirements of Bankruptcy Code section 1129(a)(9).

CC. Section 1129(a)(10): Acceptance By At Least One Impaired Class. As set forth in the Vote Certification, Classes 3, 4, and 5, which are Impaired, voted to accept the Plan. Thus, at least one Class of Claims that is Impaired under the Plan voted to accept the Plan, without including any acceptance of the Plan by any insider of the Debtor. Accordingly, the requirements of Bankruptcy Code section 1129(a)(10) are satisfied.

DD. Section 1129(a)(11): Feasibility. As demonstrated by the Disclosure Statement, the Brown Declaration, and any additional evidence proffered or adduced at the Confirmation Hearing, the Plan is feasible and Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Reorganized Debtor. Moreover, each of the conditions precedent to Consummation of the Plan set forth in Article IX.B of the Plan has been satisfied or waived in accordance with Article IX.C of the Plan, or is reasonably likely to be satisfied. Accordingly, the requirements of Bankruptcy Code section 1129(a)(11) are satisfied.

EE. Section 1129(a)(12): Payment of U.S. Trustee Fees. Article II.E of the Plan provides that all fees payable under section 28 U.S.C. § 1930 shall be timely paid by the Debtor or the Reorganized Debtor, as applicable, until a final decree closing the Debtor's Chapter 11 Case is entered by the Bankruptcy Court. Accordingly, the requirements of Bankruptcy Code section 1129(a)(12) are satisfied.

FF. Section 1129(a)(13): Continuation of Retiree Benefits. The Debtor does not believe there are any existing retiree benefits that require funding by the Reorganized Debtor, and thus, is not seeking to modify any retiree benefits protected by Bankruptcy Code section 1114. Therefore, Bankruptcy Code section 1129(a)(13) is inapplicable in the Chapter 11 Case.

GG. Section 1129(a)(14): No Domestic Support Obligations. The Debtor is not required by a judicial or administrative order or by statute to pay any domestic support obligations. Accordingly, Bankruptcy Code section 1129(a)(14) is inapplicable in the Chapter 11 Case.

HH. Section 1129(a)(15): Debtor is Not an Individual. The Debtor is not an individual, and accordingly, Bankruptcy Code section 1129(a)(15) is inapplicable in the Chapter 11 Case.

II. Section 1129(a)(16): No Applicable Nonbankruptcy Law Regarding Transfers. The Debtor is a moneyed, business, or commercial corporation, and accordingly, Bankruptcy Code section 1129(a)(16) of the Bankruptcy Code is inapplicable in the Chapter 11 Case.

JJ. Section 1129(b): No Unfair Discrimination; Fair and Equitable. The Plan may be confirmed pursuant to Bankruptcy Code section 1129(b), notwithstanding the fact that the requirements of section 1129(a)(8) have not been met with respect to the Rejecting Classes, because the Debtor has demonstrated by a preponderance of the evidence that the Plan satisfies all of the other requirements of Bankruptcy Code section 1129(a), does not “discriminate unfairly,” and is “fair and equitable” with respect to the Rejecting Classes. The Plan, therefore, satisfies the requirements of Bankruptcy Code section 1129(b) and may be confirmed despite the fact that not all Impaired Classes have voted to accept the Plan.

KK. Section 1129(c): Only One Plan. Other than the Plan, no other plan has been filed in the Chapter 11 Case. Accordingly, the requirements of Bankruptcy Code section 1129(c) have been satisfied.

LL. Section 1129(d): Principal Purpose of the Plan is Not Avoidance of Taxes. No governmental unit has objected to confirmation of the Plan on the grounds that its principal purpose is the avoidance of taxes or application of section 5 of the Securities Act of 1933. As evidenced by its terms, the Plan's principal purpose is not such avoidance. Thus, the requirements of Bankruptcy Code section 1129(d) are satisfied.

MM. Satisfaction of Confirmation Requirements. Based upon the foregoing and all other filed pleadings, memoranda, and declarations filed in connection with Confirmation of the Plan and all evidence and arguments made, proffered, or adduced at the Confirmation Hearing, the Plan satisfies the requirements for Confirmation set forth in Bankruptcy Code section 1129.

III. Confirmation and Consummation of the Plan

NN. Disclosure. The Debtor disclosed all material facts concerning the adoption of the New Organizational Documents, the selection of the New Board's members, the sources of Cash to be distributed under the Plan, the issuance of the New Common Stock and Warrants, the Reorganized Debtor's reliance on the exemptions under Bankruptcy Code sections 1145(a) and 1146(a), the surrender and/or cancellation of the Senior Notes, Subordinated Notes, and Equity Interests, the execution and delivery of all agreements related to any of the foregoing, and the execution and implementation of all other matters provided for under the Plan.

OO. Satisfaction of Conditions Precedent to Confirmation. Each of the conditions precedent to Confirmation of the Plan set forth in Article IX.A of the Plan has been satisfied or waived in accordance with Article IX.C of the Plan.

PP. Implementation. All documents and agreements necessary to implement the Plan, including the Plan Exhibits and IRS Settlement, are essential elements of the Plan and entry into and consummation of the transactions contemplated thereby is in the best interests of the Debtor, its Estate, and holders of Claims and Equity Interests. The Debtor has exercised reasonable business judgment in determining to enter into these documents and has provided sufficient and adequate notice of these documents, to the extent filed with the Bankruptcy Court. The terms and conditions of these documents are fair and reasonable and were negotiated in good faith and at arm's length. The Debtor is authorized, without further approval of the Bankruptcy Court, to execute and deliver all agreements, documents, instruments, and certificates relating thereto and to perform its obligations thereunder; *provided, however*, that the terms of the IRS Settlement shall be filed with the Bankruptcy Court on notice to parties in interest with an opportunity to be heard.

QQ. Section 1125(e). Based upon the record in the Chapter 11 Case, the Debtor, the Indenture Trustees, and their respective current or former affiliates, officers, directors, employees, and Representatives have acted in "good faith," within the meaning of Bankruptcy Code section 1125(e), in connection with their respective activities relating to the Plan, including any act or omission in connection with their participation in the activities described in Bankruptcy Code section 1125, and are entitled to the protections afforded by Bankruptcy Code section 1125(e).

RR. Securities Exempt from Registration. The issuance of the New Common Stock and Warrants, an essential element of the Plan, is in exchange for Claims against the Debtor, or principally in such exchange for Claims against the Debtor and partly for Cash or property within the meaning of Bankruptcy Code section 1145(a)(1).

ORDER

NOW THEREFORE, IT IS HEREBY ORDERED AND DECREED THAT:

1. Confirmation. This Confirmation Order confirms the Plan attached hereto as Exhibit A.

2. Objections. To the extent that any Objections to Confirmation of the Plan have not been withdrawn, resolved, or mooted before entry of this Confirmation Order, all such Objections are hereby overruled.

3. Confirmation of the Plan. The Plan, including the Plan Exhibits, and all of their provisions are confirmed in all respects. Except as otherwise provided herein, the Plan Exhibits and any amendments, modifications, and supplements thereto, and all documents and agreements relating thereto (including all exhibits and attachments or documents referred to in such papers), and the execution, delivery, and performance thereof by the Debtor or the Reorganized Debtor, as applicable, is authorized and approved. Without further order of the Bankruptcy Court, the Debtor, the Reorganized Debtor, and their successors are authorized and empowered to make all modifications to all documents included in the Plan Exhibits that are consistent with the Plan and this Confirmation Order, provided such modifications are not material or do not require the consent of another party. Once finalized, executed, and, to the extent necessary, approved by the Bankruptcy Court, upon the occurrence of the Effective Date, the Plan Exhibits and all other documents contemplated by the Plan shall constitute legal, valid, binding, and authorized obligations of the respective parties thereto, enforceable in accordance with their terms. The terms of the Plan, the Plan Exhibits, and all related and necessary documents are incorporated by reference into, and are an integral part of, this Confirmation Order. Except as otherwise provided in the Plan, the terms of the Plan, the Plan Exhibits, and all related and necessary documents shall be effective and binding as of the Effective Date.

4. Authorization to Consummate Plan. The Debtor is authorized to Consummate the Plan on any Business Day after the Confirmation Date on which no stay of this Confirmation Order is in effect, all of the conditions precedent to Consummation specified in Article IX.B of the Plan have been satisfied or waived pursuant to Article IX.C of the Plan.

5. Administrative Claims Bar Date. Requests for the payment of Administrative Claims, other than Claims (i) for Accrued Professional Compensation, (ii) for administrative expenses incurred by the Debtor in the ordinary course of business, and (iii) in respect of any obligations pursuant to the Amended Plan Settlement that come into effect before the Effective Date, must be Filed and served on the Reorganized Debtor no later than forty-five (45) days after the Effective Date. Holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Claims by such date shall be forever barred, estopped, and enjoined from asserting such Claims against the Debtor, the Reorganized Debtor, or their assets or properties and such Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed and served on the Reorganized Debtor and the requesting party no later than ninety (90) days after the Effective Date. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order, including all Administrative Claims expressly Allowed under the Plan.

6. Accrued Professional Compensation. Professionals asserting a Claim for Accrued Professional Compensation for services rendered before the Effective Date shall (i) File and serve on the Reorganized Debtor and such other Entities who are designated by the Bankruptcy Rules, this Confirmation Order, the Interim Compensation Order, or other order of the Bankruptcy Court a final application for the allowance of such Claim for Accrued Professional

Compensation no later than sixty (60) days after the Effective Date and; (ii) if granted such an award by the Bankruptcy Court, be paid in full in Cash in such amounts as are Allowed by the Bankruptcy Court on the date such Claim for Accrued Professional Compensation becomes Allowed or as soon as practicable thereafter. Holders of Claims for Accrued Professional Compensation that do not File and serve such application by the required deadline shall be forever barred, estopped, and enjoined from asserting such Claims against the Debtor, the Reorganized Debtor, or their assets or properties, and such Claims shall be deemed discharged as of the Effective Date. Objections to Claims for Accrued Professional Compensation shall be Filed no later than ninety (90) days after the Effective Date. Following the Confirmation Date and notwithstanding anything to the contrary in the Interim Compensation Order, approximately every 180 days, but no more than every 210 days, each of the Professionals shall File with the Bankruptcy Court and serve an application for interim Bankruptcy Court approval and allowance, pursuant to Bankruptcy Code sections 330 and 331, of the compensation and reimbursement of expenses requested. If, prior to Consummation of the Plan, it appears that there will be insufficient funds in the Estate to pay Allowed Administrative Claims in accordance with the Plan, the Professionals shall discuss methods of reducing Claims for Accrued Professional Compensation.

7. Priority Tax Claims. Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, at the option of the Debtor, one of the following treatments: (i) Cash, payable by the Debtor on the later of (a) the Effective Date and (b) the date on which such Priority Tax Claim becomes

Allowed, or as soon as practicable thereafter, in an amount equal to the amount of such Allowed Priority Tax Claim; or (ii) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five (5) years after the Commencement Date, in accordance with Bankruptcy Code section 1129(a)(9)(C).

8. U.S. Trustee Fees. On the Effective Date or as soon as practicable thereafter, the Reorganized Debtor shall pay all U.S. Trustee Fees that are due and owing on the Effective Date. Nothing in the Plan shall release the Reorganized Debtor from its obligation to pay all U.S. Trustee Fees due and owing after the Effective Date before an order or final decree is entered by the Bankruptcy Court concluding or closing the Chapter 11 Case.

9. Indenture Trustee and Informal Group Fees. On the Effective Date, the Reorganized Debtor shall pay in Cash the Indenture Trustee Fees and the Informal Group Fees, without the need for the Indenture Trustees or the Informal Group to file fee applications with the Bankruptcy Court; *provided, however*, that (i) each Indenture Trustee and the Informal Group shall provide the Debtor and the Committee with the invoices for which it seeks payment at least ten (10) days prior to the Effective Date; and (ii) the Debtor and the Committee do not object to the reasonableness of the Indenture Trustee Fees or the Informal Group Fees. To the extent that the Debtor or the Committee objects to the reasonableness of any portion of the Indenture Trustee Fees or the Informal Group Fees, the Reorganized Debtor shall not be required to pay such disputed portion until either such objection is resolved or a further order of the Bankruptcy Court is entered providing for payment of such disputed portion. Notwithstanding anything in this Confirmation Order or the Plan to the contrary, each Indenture Trustee's Lien against distributions or property held or collected by it for fees and expenses and priority rights pursuant to the Indentures shall be discharged solely upon payment of its Indenture Trustee Fees in full on

the Effective Date or thereafter and the termination of such Indenture Trustee's duties under the applicable Indenture.

10. Plan Classification Controlling. The terms of the Plan shall solely govern the classification of Claims and Equity Interests for purposes of the distributions to be made thereunder. The classifications set forth on the Ballots tendered to or returned by the holders of Claims or Equity Interests in connection with voting on the Plan pursuant to the Disclosure Statement Order were set forth on the Ballots solely for purposes of voting to accept or reject the Plan, do not necessarily represent and in no event shall be deemed to modify or otherwise affect the actual classification of such Claims and Equity Interests under the Plan for distribution purposes, may not be relied upon by any holder of a Claim or Equity Interest as representing the actual classification of such Claim or Equity Interest under the Plan for distribution purposes, and shall not be binding on the Debtor and Reorganized Debtor except for voting purposes. All rights of the Debtor to seek to reclassify Claims are expressly reserved.

11. Vesting of Assets in the Reorganized Debtor. Except as otherwise provided in the Plan, on the Effective Date, all property of the Estate and any property acquired by the Debtor pursuant to the Plan shall vest in the Reorganized Debtor, free and clear of all Liens and Claims. On and after the Effective Date, except as otherwise provided in the Plan, the Reorganized Debtor may operate its business and use, acquire, or dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

12. New Common Stock. In accordance with Article IV.E of the Plan, on the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtor shall issue

shares of New Common Stock for distribution to holders of Allowed Class 3, Class 4, and Class 5 Claims in accordance with the terms of the Plan.

13. Warrants. In accordance with Article IV.F of the Plan, on the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtor shall issue the Warrants in the amounts set forth in the Warrant Agreement for distribution to holders of Allowed Class 3 and Class 5 Claims in accordance with the terms of the Plan. The Reorganized Debtor shall reserve for the issuance the number of shares of New Common Stock sufficient for issuance upon exercise of the Warrants.

14. Surrender/Cancellation of Securities. On the Surrender Date, holders of Allowed Senior Notes Claims and Subordinated Notes Claims shall be entitled to receive distributions pursuant to the Plan. No distributions under the Plan shall be made for or on behalf of a Registered Holder until the conditions set forth in Article VI.E.2 have been satisfied. Further, on the Surrender Date, except as otherwise provided in the Plan, all notes, stock, instruments, certificates, indentures, guarantees, and other documents or agreements evidencing the Senior Notes Claims, the Subordinated Notes Claims, and Equity Interests shall be deemed automatically cancelled and shall be of no further force or effect, except as provided in Article IV.H of the Plan.

15. Amended Plan Settlement. Entry of this Confirmation Order shall, subject to the occurrence of and effective as of the Effective Date, constitute an order of the Bankruptcy Court approving the Amended Plan Settlement, including the Debtor's entry into the Cost Allocation Agreement, the Cooperation Agreement Amendment, and the Amended TSA. In accordance with the Amended Plan Settlement, this Confirmation Order constitutes an order:

- (i) memorializing the intent of the Debtor, the Committee, AAC, the Segregated Account, OCI, and the Rehabilitator, to preserve the use of

NOLs for the benefit of the AAC Subgroup and the Reorganized Debtor, as contemplated by the Amended Plan Settlement;

- (ii) approving the adoption by the Reorganized Debtor of an NOL-preservation plan to remain in effect so long as NOLs remain for the benefit of AAC, as contemplated by the Amended Plan Settlement, and vests continuing jurisdiction in the Bankruptcy Court to enforce restrictions adopted in connection with such plan; and
- (iii) memorializing the intent of the Debtor, the Committee, AAC, the Segregated Account, OCI, and the Rehabilitator, that any subsequent bankruptcy filing by the Reorganized Debtor with the intent of rejecting the Amended Plan Settlement and/or seeking additional value from the AAC Subgroup for its use of the NOLs is a *per se* bad faith filing.

16. IRS Settlement. In accordance with Article IV.J of the Plan, no provision of the Disclosure Statement, Plan, Confirmation Order, or any other document or agreement (including but not limited to those referenced in paragraph 38 of this Confirmation Order) shall impair, change, or modify the IRS's rights in connection with the IRS Dispute and no statements or assertions by the Debtor in the Disclosure Statement, Plan, or any other document or agreement (including but not limited to those referenced in paragraph 38 of this Confirmation Order) shall be deemed to estop the IRS from asserting any arguments in the IRS Dispute or elsewhere, particularly with respect to the NOLs or tax refunds. Additionally, confirmation of the Plan and entry of this Confirmation Order shall be without prejudice to the IRS in the IRS Dispute or elsewhere. Pending finalization of the IRS Settlement and irrespective of entry of this Confirmation Order, the Debtor shall not Consummate the Plan, make any distributions to Holders of Claims or Equity Interests outside of the ordinary course of business, or File a motion pursuant to Bankruptcy Rule 9019 requesting approval of the IRS Settlement without the United States's prior written approval.

17. Directors and Officers of the Reorganized Debtor. In accordance with Article IV.K of the Plan, on the Effective Date, the term of the current members of the Debtor's board of

directors shall expire. The New Board shall consist of the Reorganized Debtor's Chief Executive Officer and four additional directors identified in the Ksenak Declaration. On and after the Effective Date, the existing officers of the Debtor shall remain in place in their current capacities as officers of the Reorganized Debtor, subject to the ordinary rights and powers of the New Board to remove or replace them.

18. Section 1145 Exemption. Unless required by provision of applicable law, regulation, order, or rule, as of the Effective Date, the issuance of the New Common Stock and the Warrants in accordance with the Plan shall be authorized under Bankruptcy Code section 1145 without further action by any Entity.

19. Exemption from Certain Taxes and Fees. Pursuant to Bankruptcy Code section 1146(a), any transfers of property pursuant to the Plan shall not be subject to any stamp, real estate transfer, mortgage reporting, sales, use tax, or other similar state or local tax or governmental assessment in the United States, and the appropriate state or local governmental officials or agents shall and are hereby directed to forego the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents without the payment of any such tax or governmental assessment. The Bankruptcy Court shall retain specific jurisdiction with respect to these matters.

20. Treatment of Executory Contracts and Unexpired Leases. The provisions governing the treatment of executory contracts and unexpired leases set forth in Article V of the Plan are hereby approved in their entirety.

21. Provisions Governing Distributions and Turnover of Distributions. The distribution provisions of Article VI of the Plan are hereby approved in their entirety. Any Holder of Allowed Senior Notes Claims or Allowed Subordinated Notes Claims that failed to or

fails to comply with the Trading Order shall not be entitled to receive more than the Applicable Amount (as defined in the Trading Order) of New Common Stock. Any purported acquisition of beneficial ownership of New Common Stock upon Consummation of the Plan that is precluded or prohibited by the Equity Forfeiture Provisions (as defined in the Trading Order) or the terms hereof (the "Forfeited Equity") shall be void *ab initio* and all such Forfeited Equity shall be segregated and held in trust for and forthwith paid over to the Reorganized Debtor. Any Entity that receives Forfeited Equity shall, immediately upon becoming aware of such fact, return the Forfeited Equity to the Reorganized Debtor, or, if all or some of such Forfeited Equity has been sold prior to the time such Entity becomes aware of such fact, such Entity shall return to the Reorganized Debtor any Forfeited Equity still held by such Entity and the proceeds attributable to the sale of any Forfeited Equity. Any Entity that receives Forfeited Equity and fails to comply with the foregoing shall be subject to such additional sanctions as the Bankruptcy Court may determine. The Reorganized Debtor may retain, and shall not be required to distribute, any Forfeited Equity acquired by it after the Effective Date. To effectuate the foregoing, Nominees of Holders of Allowed Senior and Subordinated Notes Claims are hereby prohibited from distributing more than the Applicable Amount of New Common Stock to any Holder of Allowed Senior Notes Claims or Allowed Subordinated Notes Claims without the Debtor's consent or permission from the Bankruptcy Court. Any Nominee that fails to comply with the foregoing shall be subject to sanctions by the Bankruptcy Court. On or before the Effective Date, the Reorganized Debtor shall distribute a notice to Nominees through The Depository Trust Company notifying Nominees of the foregoing, substantially in the form attached hereto as Exhibit B (the "Notice to Nominees"). Service of the Notice to Nominees in the manner set forth

herein provides adequate and sufficient notice of the consequences of failing to comply with the foregoing.

22. Procedures for Resolving Contingent, Unliquidated, and Disputed Claims. The procedures set forth in Article VII of the Plan for resolving contingent, unliquidated, and disputed Claims are hereby approved in their entirety.

23. Discharge of the Debtor. Pursuant to and to the fullest extent permitted by Bankruptcy Code section 1141(d), and except as otherwise provided in the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the Effective Date, of all Claims, Equity Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and after the Commencement Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Equity Interests in the Debtor, the Reorganized Debtor, or their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims or Equity Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in Bankruptcy Code sections 502(g), 502(h), or 502(i), in each case whether or not: (i) a Proof of Claim or Equity Interest based upon such Claim, debt, right, or Equity Interest is Filed or deemed Filed pursuant to Bankruptcy Code section 501; (ii) a Claim or Equity Interest based upon such Claim, debt, right, or Equity Interest is Allowed pursuant to Bankruptcy Code section 502; or (iii) the Holder of such a Claim or Equity Interest has accepted the Plan. Any default by the Debtor with respect to any Claim or Equity Interest that existed immediately before or on

account of the Filing of the Chapter 11 Case shall be deemed cured on the Effective Date. This Confirmation Order constitutes a judicial determination of the discharge of all Claims against and Equity Interests in the Debtor, subject to the Effective Date occurring.

24. Injunction. Except as otherwise provided in the Plan and the Amended Plan Settlement, from and after the Effective Date, all Entities that have held, hold, or may hold Claims against, Claims that may result in reimbursement, contribution, or indemnification by the Debtor on account of such Claims, or Equity Interests in the Debtor or the Estate, are permanently enjoined from taking any of the following actions against the Debtor, the Reorganized Debtor, or the Estate: (i) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Equity Interests; (ii) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Equity Interests; (iii) creating, perfecting, or enforcing any Lien of any kind against such Entities or the property or estates of such Entities on account of or in connection with or with respect to any such Claims or Equity Interests; (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Equity Interests, unless such Holder has Filed a motion requesting the right to perform such setoff, subrogation, or recoupment on or before the Confirmation Date, and notwithstanding an indication in a Proof of Claim or otherwise that such Holder asserts, has, or intends to preserve any right of setoff, subrogation, or recoupment pursuant to Bankruptcy Code section 553 or otherwise, *provided, however*, that nothing herein shall detract from AAC's ability to exercise its right of offset pursuant to section 7 of the Cost Allocation Agreement

without notice or further order of the Bankruptcy Court; and (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan.

25. Exculpation. Except as otherwise provided in Article VIII.H of the Plan, none of the Released Parties shall have or incur any liability to any holder of any Claim or Equity Interest for any act or omission in connection with or arising out of the Debtor's restructuring, including, without limitation, the negotiation and execution of the Plan, the Chapter 11 Case, the Disclosure Statement, the solicitation of votes for and the pursuit of the Plan, the Consummation of the Plan, the CDS Settlement Agreement, the rehabilitation of the Segregated Account, or the administration of the Plan or the Cash, New Common Stock, and Warrants to be distributed under the Plan, and further including, without limitation, all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or misconduct relating thereto, and all prepetition activities leading to the promulgation and confirmation of the Plan; *provided, however,* that the foregoing shall not apply to (i) any act or omission that might form the basis of any claim by any policyholder or securities holder in connection with or arising out of any policy issued by AAC; or (ii) any act which constitutes a bankruptcy crime under title 18 of the United States Code. Nothing in this paragraph shall (a) be construed to exculpate any entity from fraud, gross negligence, willful misconduct, malpractice, criminal conduct, misuse of confidential information that causes damages, or ultra vires acts or (b) limit the liability of the professionals of the Debtor, the Reorganized Debtor, the Committee, and the Indenture Trustees, to their respective clients pursuant to DR 6-102 of the Code of Professional Responsibility. Notwithstanding the foregoing, nothing in Article VIII.C of the Plan or the Plan generally may be construed as waiving immunity, or as subjecting the Rehabilitator or OCI, or the

Rehabilitator's or OCI's employees or agents, to liability, including contractual liability, for matters that are otherwise subject to immunity from liability, including immunity under Wis. Stat. § 645.08(2).

26. General Releases by the Debtor. For good and valuable consideration, including the facilitation of the Debtor's expeditious reorganization, on and after the Effective Date, the Released Parties shall be released and discharged by the Debtor, the Reorganized Debtor, and the Estate from any and all Claims and Causes of Action of any nature whatsoever, including any derivative Claims asserted by or on behalf of the Debtor, based upon or relating to any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date; *provided, however,* that the foregoing shall not apply to any act which constitutes a bankruptcy crime under title 18 of the United States Code or any claims arising under the Amended TSA, the Cost Allocation Agreement, the Cooperation Agreement, the Mediation Agreement or any other documents entered into in connection with the Amended Plan Settlement; *provided further, however,* that the Released Parties shall not be released from any Claims arising out of or relating to the Securities Actions, and any releases of the Released Parties granted pursuant to the Stipulation of Settlement shall not become effective, unless and until the Stipulation of Settlement 9019 Approval Order becomes a Final Order and the Stipulation of Settlement becomes effective as set forth in paragraph 35 thereof.

27. General Releases by Holders of Claims and Equity Interests. Except as otherwise provided in Article VIII.H of the Plan and to the extent permitted by applicable law, as of the Effective Date, each Entity that has held, holds, or may hold a Claim or an Equity Interest, as applicable, in consideration for the obligations of the Debtor under the Plan, the Plan distributions, and other agreements, securities, instruments, or other documents executed or

delivered in connection with the Plan, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged the Released Parties from any and all Claims and Causes of Action of any nature whatsoever, including any derivative Claims asserted by or on behalf of the Debtor, that such Entity would have been legally entitled to assert based upon or relating to any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date and based upon or relating to the Debtor, the Estate, the Reorganized Debtor, the Chapter 11 Case, or the preparation, negotiation, or implementation of the Plan or Disclosure Statement; *provided, however*, that the foregoing shall not apply to (i) any act which constitutes a bankruptcy crime under title 18 of the United States Code, (ii) any claims that policyholders or securities holders may have against AAC or the Segregated Account pursuant to their respective policies or securities, (iii) any obligations of the Reorganized Debtor pursuant to the Plan, and (iv) any claims arising under the Amended TSA, the Cost Allocation Agreement, the Cooperation Agreement, the Mediation Agreement or any other documents entered into in connection with the Amended Plan Settlement; *provided further, however*, that the Released Parties shall not be released from any Claims arising out of or relating to the Securities Actions, and any releases of the Released Parties granted pursuant to the Stipulation of Settlement shall not become effective, unless and until the Stipulation of Settlement 9019 Approval Order becomes a Final Order and the Stipulation of Settlement becomes effective as set forth in paragraph 35 thereof. Notwithstanding anything to the contrary in the Plan, One State Street, LLC shall continue to be entitled to the benefits set forth in the OSS Settlement Agreement. Neither the Plan nor any contract, instrument, release, agreement, or document executed or delivered in connection therewith, nor the occurrence of the Effective Date, shall

release, waive, discharge, contribute, or assign any of the claims or causes of action against the non-debtor defendants in the ERISA Action.

28. Releases Required Pursuant to the Stipulation of Settlement. The following releases, which are included in the Plan in accordance with the Stipulation of Settlement, shall become effective at the time, and only in the event that, the Stipulation of Settlement becomes effective and the Stipulation of Settlement 9019 Approval Order becomes a Final Order:

- (i) To the fullest extent permitted by applicable law, on the Effective Date, all Persons or Entities, including, but not limited, to the Ambac Entities and any shareholder or creditor of any of the Ambac Entities (including any other Person or Entity purportedly acting derivatively on behalf of the Ambac Entities) shall be permanently barred and enjoined from instituting, prosecuting, or continuing to prosecute any and all manner of Claims, actions, Causes of Actions, suits, controversies, agreements, costs, damages, judgments, and demands whatsoever, known or Unknown (as defined in the Stipulation of Settlement), suspected or unsuspected, accrued or unaccrued, arising under the laws, regulations, or common law of the United States of America, any state or political subdivision thereof, or any foreign country or jurisdiction, in law, contract, or in equity, against any or all of the Individual Defendants and any or all of the current or former officers, directors, or employees of any Ambac Entity (a) that were, could have been, might have been, or might be in the future asserted in any of the Securities Actions or any of the Derivative Actions; (b) in connection with, arising out of, related to, or based upon, in whole or in part, directly or indirectly, any action or omission or failure to act within the Class Period or relevant periods specified in any of the Derivative Actions by any of the Individual Defendants or any of the current or former officers, directors, or employees of any Ambac Entity relating to any Ambac Entity or in his or her capacity as an officer, director, or employee of any Ambac Entity; or (c) that allege, arise out of, or are based upon or attributable to any fact, action, omission, or failure to act that is alleged in any of the Securities Actions or the Derivative Actions or related to any fact, action, omission, or failure to act alleged in the Securities Actions or the Derivative Actions.
- (ii) On the Effective Date, the Reorganized Debtor, on behalf of itself and (to the fullest extent of its power to do so) all Ambac Entities and (to the fullest extent of their power to do so) any shareholder, creditor, or other Person or Entity purporting to sue on behalf of or in the right of any of the Ambac Entities, shall be deemed to fully release any and all manner of Claims, actions, Causes of Action, suits, controversies, agreements, costs, damages, judgments, and demands whatsoever, known or Unknown (as

defined in the Stipulation of Settlement), suspected or unsuspected, accrued or unaccrued, arising under the laws, regulations, or common law of the United States of America, any state or political subdivision thereof, or any foreign country or jurisdiction, in law, contract, or in equity, against any or all of the Individual Defendants and any or all of the current or former officers, directors, or employees of any Ambac Entity (a) that were, could have been, might have been, or might be in the future asserted in any of the Securities Actions or any of the Derivative Actions; (b) in connection with, arising out of, related to, or based upon, in whole or in part, directly or indirectly, any action or omission or failure to act within the Class Period or relevant periods specified in any of the Derivative Actions by any of the Individual Defendants or any of the current or former officers, directors, or employees of any Ambac Entity relating to any Ambac Entity or in his or her capacity as an officer, director, or employee of any Ambac Entity; or (c) that allege, arise out of, or are based upon or attributable to any fact, action, omission, or failure to act that is alleged in any of the Securities Actions or the Derivative Actions or related to any fact, action, omission, or failure to act alleged in the Securities Actions or the Derivative Actions.

- (iii) The injunctions and releases set forth in Article VIII.F of the Plan and Paragraphs 28(i) and (ii) of this Confirmation Order do not release and/or bar the ERISA claims at issue in the ERISA Action, provided that nothing in Article VIII.F of the Plan or in the Stipulation of Settlement or the amendments thereto shall be deemed a waiver by the defendants in the ERISA Action of their rights to maintain that any recovery by the Savings Plan pursuant to the Stipulation of Settlement approved hereby shall offset any recovery by the plaintiffs in the ERISA Action.

29. Release of Liens. Except as otherwise provided in the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, and, in the case of a Class 2 Secured Claim, satisfaction in full of the portion of such Claim that is Allowed as of the Effective Date, all mortgages, deeds, trusts, Liens, pledges, or other security interests against any property of the Estate shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds, trusts, Liens, pledges, or other security interests shall revert to the Reorganized Debtor.

30. Limitation on Applicability of Discharge, Release, and Injunction Provisions on the United States. Nothing in the Plan or Confirmation Order, including the discharge,

injunction, exculpation, and release provisions thereof, shall limit the United States's rights to the extent set forth in Article VIII.H of the Plan.

31. Conditions to Consummation/Waiver of Conditions to Consummation/Effect of Nonoccurrence of Conditions to Consummation. It shall be a condition to Consummation of the Plan that the conditions set forth in Article IX.B of the Plan shall have been satisfied or waived pursuant to Article IX.C of the Plan. Article IX.D of the Plan shall apply in the event one or more of the conditions to Consummation of the Plan has not been timely satisfied or waived, and this Confirmation Order may be automatically vacated in accordance with Article IX.D.

32. Modifications and Amendments. Pursuant to Bankruptcy Code section 1127(a), entry of this Confirmation Order means all modifications or amendments to the Plan since the solicitation thereof are approved and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

33. Retention of Jurisdiction. Subject to the limitations set forth in Article VIII.H of the Plan, the Bankruptcy Court shall, after the Effective Date, retain jurisdiction over the Chapter 11 Case and all Entities with respect to all matters related to the Chapter 11 Case, the Debtor, and the Plan, to the extent legally permissible, including, without limitation, jurisdiction over matters identified in Article XI of the Plan.

34. Dissolution of the Committee. In accordance with and subject to the conditions set forth in Article XII.D of the Plan, on the later of (i) the Effective Date, or (ii) the date on which the New Common Stock and Warrants, as applicable, have been delivered to the Holders of Allowed General Unsecured Claims, Senior Notes Claims, and Subordinated Notes Claims pursuant to the Plan, the Committee shall dissolve automatically, whereupon its members,

Professionals, and agents shall be released from any further authority, duties obligations and responsibilities in the Chapter 11 Case and under the Bankruptcy Code.

35. Terms of Injunctions or Stays. In accordance with Article XII.I of the Plan, except as otherwise provided in the Plan or in this Confirmation Order, all injunctions or stays in effect in the Chapter 11 Case pursuant to Bankruptcy Code sections 105 or 362 or any order of the Bankruptcy Court shall remain in full force and effect until the Effective Date and all injunctions or stays contained in the Plan or this Confirmation Order shall remain in full force and effect in accordance with their terms.

36. Non-severability of Plan Provisions upon Confirmation. This Confirmation Order constitutes a judicial determination that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable.

37. Omission of Reference to Particular Plan Provisions. The failure to specifically describe or include any particular provision of the Plan in this Confirmation Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Bankruptcy Court that the Plan is confirmed in its entirety and incorporated herein by reference.

38. Effect of Conflict Between Plan and Confirmation Order. The provisions of the Plan and this Confirmation Order shall be construed in a manner consistent with each other so as to effect the purposes of each; *provided, however*, that if there is any inconsistency between the provisions of the Plan and this Confirmation Order, the terms and conditions of this Confirmation Order shall govern; *provided further, however*, that to the extent the Mediation Agreement, the Amended TSA, the Cost Allocation Agreement, the Cooperation Agreement Amendment, the Ruling Request Agreement, the Stipulation of Settlement, or the Stipulation of

Settlement 9019 Approval Order may be inconsistent with the Plan or this Confirmation Order, the terms of such document shall control.

39. Notice of Entry of this Confirmation Order and the Effective Date. Within seven days of the Confirmation Date or as soon as practicable thereafter, the Debtor shall serve a copy of this Confirmation Order upon counsel for the Committee, counsel for OCI, the U.S. Trustee, and all Entities which have filed a written request for notice with the Bankruptcy Court pursuant to Bankruptcy Rule 2002. In addition, in accordance with Bankruptcy Rules 2002 and 3020(c), within seven days of the Effective Date or as soon as practicable thereafter, the Debtor shall serve a notice of entry of this Confirmation Order and the occurrence of the Effective Date, substantially in the form attached hereto as Exhibit C (the "Notice of the Effective Date"), upon all parties served with notice of the Confirmation Hearing; *provided, however*, that no notice or service of any kind shall be required to be mailed or made upon any Entity to whom the Debtor served the notice of the Confirmation Hearing, but received such notice returned as undeliverable, unless the Debtor is otherwise aware of that Entity's new address. Mailing of the Confirmation Order and the Notice of the Effective Date in the manner set forth herein shall be deemed adequate and sufficient notice of the Effective Date and no further notice shall be necessary.

40. Publication Notice. Within seven days of the Effective Date or as soon as practicable thereafter, the Debtor shall publish the Notice of the Effective Date, modified as necessary, in the national edition of the Wall Street Journal. Publication of the Notice of the Effective Date in the manner set forth herein shall be deemed adequate and sufficient Notice of the Effective Date for all unknown parties in interest.

41. This Confirmation Order is a final order and the period in which an appeal must be filed commences upon the entry hereof.

Dated: March 14, 2012
New York, New York

/s/ Shelley C. Chapman
HONORABLE SHELLEY C. CHAPMAN
UNITED STATES BANKRUPTCY JUDGE