

From: David Taft
IBS Capital LLC
dat@ibscapital.com
To: OCI Company Licensing
Subject: Proposed Acquisition of Control of Ambac Assurance Corporation by American Acorn Corporation, and others
Date: Tuesday, July 29, 2025

Dear Commissioner Houdek,

IBS Capital LLC is a registered investment company that manages three investment funds: The IBS Turnaround Fund, L.P., The IBS Turnaround Fund QP, and The IBS Opportunity Fund, Ltd. (collectively, the "IBS Funds"). The IBS Funds hold a total of 1,093 shares of the Auction Market Preferred Shares ("AMPS") issued by Ambac Assurance Corporation ("AAC"), a wholly owned subsidiary of Ambac Financial group ("AFG"). The 1093 shares of the AMPS held by the IBS Funds have a face value of \$27,325,000, representing approximately one-quarter of the outstanding AMPS.

I am writing on behalf of the IBS Funds in objection to the terms of the proposed sale of AAC by AFG to American Acorn Corporation and Oaktree Capital Management ("Oaktree"). To be clear, IBS doesn't object to the sale of the AAC common stock to Oaktree, but does object to two components of the transaction as currently proposed.

The first objection is with regard to the \$420 million payment by Oaktree to AFG for all of the common stock of AAC without consideration paid to the AMPS, which are contractually senior to the common stock. The second objection is regarding the proposed distribution of liquidation proceeds by Oaktree after they purchase AAC.

The AMPS have been outstanding since 2004 and possess a liquidation preference equal to their total face value of approximately \$116 million. The terms of the AMPS also provide a restriction on the payment of dividends to the holders of the AAC common stock if dividends are not being paid on the AMPS. No dividends have been paid on the AMPS since 2009 and as a result, it is our understanding that no dividends or cash have been distributed to AFG, which holds all of the common stock of AAC.

AFG is now seeking to sell the common stock and its ownership of AAC to Oaktree to get around the dividend restriction and collect \$420 million in exchange for its equity, without the AMPS receiving their liquidation preference of \$116 million.

The terms of the AMPS provide that the AMPS must be paid its liquidation preference if AAC is in liquidation. This is clearly the case as AAC has not written any new business since 2008 and has been actively in runoff, liquidating its legacy insurance portfolio since 2009.

Therefore, our first objection is to the payment of \$420 million to AFG for its AAC common stock, with none of the proceeds paid to the holders of the AMPS. The investors in the AMPS were motivated to make this investment because of the safety the dividend restriction and

liquidation preference provided to the AMPS. The sale of AAC to Oaktree, as currently proposed, violates these restrictions, enriching AFG at the expense of the AMPS.

With regard to our second objection, the projections provided by AFG in its proxy statement regarding the sale indicate that once the AAC Surplus Notes are paid in full, Oaktree may then collect substantial distributions if it begins to pay a small dividend to the AMPS. The projections suggest Oaktree may collect over \$1.5 billion in distributions while paying a mere \$1 million annual dividend to the AMPS, delaying the payment of the \$116 million principal until the legacy portfolio has been fully liquidated in 2052. Because the AAC legacy portfolio is in runoff and being liquidated, this would be in violation of the terms of the AMPS that require the payment of the \$116 million liquidation preference before any distributions may be made to the common stock.

I understand your Commission's primary responsibility is to protect Wisconsin policyholders. However, I understand it is also the responsibility of the Commission to ensure that the ownership of AAC is not being transferred in a manner that harms other stakeholders in AAC in violation of their legal rights.

The IBS Funds have owned the AMPS for more than 15 years and have closely monitored the runoff and liquidation of the AAC legacy portfolio during this extended period with the understanding we would be repaid before AFG, the holder of the common stock. The proposed sale of AAC to Oaktree, as currently contemplated, is inherently unfair and will cause irreparable harm to our investment in the AMPS. We respectfully request that you require the terms of the transaction be altered such that the rights of the AMPS to its liquidation preference are preserved and satisfied.

Please don't hesitate to contact me should you have any questions or require further information.

Sincerely,

David Taft
President
IBS Capital LLC
dat@ibscapital.com
617-261-3513