

In the Matter of the Acquisition of Control of
Ambac Assurance Corporation, the "domestic insurer"

by

American Acorn Corporation (American Acorn),
American Acorn Holdings LLC,
Oaktree Opportunities Fund XII Holdings (Delaware), L.P.,
Oaktree Fund GP, LLC, Oaktree Fund GP I, LP,
Oaktree Capital I GP, LLC, Oaktree Capital Holdings, LLC,
Oaktree Capital Group Holdings, LP,
Oaktree Capital Group Holdings GP, LLC, Bruce Karsh,
Howard Marks, and Sheldon Stone

Petitioners.

OCI Case No. 25-C46550

FINAL DECISION

TO: Zachary P. Bemis
Godfrey & Kahn, S.C.
One East Main Street, Suite 500
Madison, Wisconsin 53701
608-284-2224
zbemis@gklaw.com

I adopt the Hearing Examiner's Proposed Decision, including the findings of fact and conclusions of law, which is attached to this Final Decision, and which was served on the Petitioners with an opportunity for submitting written objections.

Based upon these findings of fact and conclusions of law, I order that The Petitioners' request for approval of the plan for the acquisition of control is approved.

NOTICE OF APPEAL INFORMATION

The following notice is served on you as part of the Final Decision:

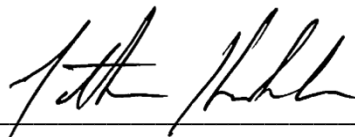
1. Rehearing. Any person aggrieved by this Final Decision may petition for a rehearing within 20 days after the service of the decision, as provided in Wis. Stat. § 227.49. A petition for rehearing is not a prerequisite for appeal directly to circuit court through a petition for judicial review. A petition for rehearing must be filed with the Commissioner of Insurance at the address below.

2. Judicial Review. Any person aggrieved by this Final Decision has a right to petition for judicial review of the decision as provided in Wis. Stat. § 227.53. The petition must be filed in circuit court within 30 days after service of this Final Decision if there has been no petition for rehearing, or within 30 days after service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition by operation of law of any petition for rehearing. A petition for judicial review must be served on, and name as the Respondent:

Commissioner of Insurance
P. O. Box 7873
Madison, Wisconsin 53707-7873

September 29, 2025

Date



Nathan Houdek
Commissioner of Insurance

RELEVANT WISCONSIN STATUTORY PROVISIONS

Wis. Stat. § 227.49 PETITIONS FOR REHEARING IN CONTESTED CASES.

(1) A petition for rehearing shall not be a prerequisite for appeal or review. Any person aggrieved by a final order may, within 20 days after service of the order, file a written petition for rehearing which shall specify in detail the grounds for the relief sought and supporting authorities. An agency may order a rehearing on its own motion within 20 days after service of a final order [. . .]

(2) The filing of a petition for rehearing shall not suspend or delay the effective date of the order, and the order shall take effect on the date fixed by the agency and shall continue in effect unless the petition is granted or until the order is superseded, modified, or set aside as provided by law.

(3) Rehearing will be granted only on the basis of:

- (a) Some material error of law.
- (b) Some material error of fact.
- (c) The discovery of new evidence sufficiently strong to reverse or modify the order, and which could not have been previously discovered by due diligence.

(4) Copies of petitions for rehearing shall be served on all parties of record. Parties may file replies to the petition.

(5) The agency may order a rehearing or enter an order with reference to the petition without a hearing, and shall dispose of the petition within 30 days after it is filed. If the agency does not enter an order disposing of the petition within the 30-day period, the petition shall be deemed to have been denied as of the expiration of the 30-day period.

(6) Upon granting a rehearing, the agency shall set the matter for further proceedings as soon as practicable [. . .]

Wis. Stat. § 227.52 JUDICIAL REVIEW; DECISIONS REVIEWABLE. Administrative decisions which adversely affect the substantial interests of any person, whether by action or inaction, whether affirmative or negative in form, are subject to review as provided in this chapter. [. . .]

At all times material, the relevant parts of Wis. Stat. § 227.53, read as follows:

Wis. Stat. § 227.53 PARTIES AND PROCEEDINGS FOR REVIEW. (1) Except as otherwise specifically provided by law, any person aggrieved by a decision specified in Wis. Stat. § 227.52 shall be entitled to judicial review thereof as provided in this chapter.

(a) 1. Proceedings for review shall be instituted by serving a petition therefor personally or by certified mail upon the agency or one of its officials, and filing the petition in the office of the clerk of the circuit court for the county where the judicial review proceedings are to be held. [. . .]

2. Unless a rehearing is requested under Wis. Stat. § 227.49, petitions for review under this paragraph shall be served and filed within 30 days after the service of the decision of the agency upon all parties under Wis. Stat. § 227.48. If a rehearing is requested under Wis. Stat. § 227.49, any party desiring judicial review shall serve and file a petition for review within 30 days after service of the order finally disposing of the application for rehearing, or within 30 days after the final disposition by operation of law of any such application for rehearing. The 30-day period for serving and filing a petition under this paragraph commences on the day after personal service or mailing of the decision by the agency. [. . .]

(b) The petition shall state the nature of the petitioner's interest, the facts showing that petitioner is a person aggrieved by the decision, and the grounds specified in Wis. Stat. § 227.57 upon which petitioner contends that the decision should be reversed or modified. [. . .]

(c) A copy of the petition shall be served personally or by certified mail or, when service is timely admitted in writing, by first class mail, not later than 30 days after the institution of the proceeding, upon each party who appeared before the agency in the proceeding in which the decision sought to be reviewed was made or upon the party's attorney of record. [. . .]

(d) The agency [. . .] and all parties to the proceeding before it, shall have the right to participate in the proceedings for review. [. . .]

OFFICE OF THE COMMISSIONER OF INSURANCE (OCI)

STATE OF WISCONSIN

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PROPOSED DECISION

PRELIMINARY RECITALS

On June 28, 2024, the above-named individuals ("petitioners") and entities filed a Form A with the Wisconsin Office of the Commissioner of Insurance ("OCI") seeking the acquisition and control of the Ambac Assurance Corporation ("domestic insurer"). A Form A is a regulatory filing submitted to a state insurance department by any person or entity seeking to acquire control of a domestic insurer. A Notice of Hearing was issued on July 17, 2025. Rebecca Easland, Deputy Commissioner of OCI, was duly appointed as the hearing examiner to oversee a Class 1 hearing.

A prehearing conference on this matter was held before the hearing examiner on August 4, 2025. The prehearing conference was held to consider any procedural matters pursuant to Wis. Admin. Code § Ins 5.33. A prehearing conference memorandum was issued separately on August 5, 2025.

Three groups timely filed motions to be admitted as parties to the Oaktree Form A hearing: (1) Ambac Financial Group, Inc. ("AFG") and Ambac Assurance Corp. ("AAC"); (2) CQS (UK) LLP, CQS (US), LLC, Deutsche Bank Securities Inc., FFI Fund Ltd., FYI Ltd., Intermarket Corporation, Deltroit Asset Management (UK) LLP, Mudrick Stressed Credit Master Fund, L.P. ("Mudrick"), Olifant Fund, Ltd., Shenkman Tactical Credit Master Fund LP, Shenkman Opportunistic Credit Master Fund LP, Four Points Multi-Strategy Master Fund, Inc., Shenkman Multi-Asset Credit Select Master Fund LP, and Three Court Master, LP; and (3) ESM Management LLC ("ESM") and Align Private Capital ("Align"). On August 22, 2025, the hearing examiner issued an order denying the motions to be admitted as parties.

Pursuant to due notice, a hearing was held by Microsoft Teams video conference on September 3, 2025. At the hearing, petitioners were represented by Attorney Zachary Bemis and the domestic insurer appeared by Attorney Emily Feinstein. Testimony was heard from Christopher Martin, OCI Insurance Financial Examiner – Principal. Public comment was heard from Eric S. Meyer, Managing Member of ESM Management LLC.

The record consists of hearing exhibits 1-54 and the hearing recording. It is noted that the hearing exhibits include public comments from: Sallie and Tom Bernard, Eldar, Jay Burnham of Armory Advisors, Andrew K. Glenn of Glenn Agre Bergman & Fuentes LLP, Glenn E. Ryhanych of BlueList Partners LLC, Brian Pfeiffer of White & Case LLP, Mike Lawler of Berkshire Hathaway Assurance Corporation, David Taft of IBS Capital LLC, and Eric S. Meyer of ESM Management LLC and Align Private Capital. Gregory Share submitted pre-filed written testimony on behalf of the petitioners.

LEGAL STANDARD

The legal standard of review for this Form A is Wis. Stat. § 611.72(3)(am) which creates a five-part test to evaluate the proposed acquisition of the domestic insurer. It reads:

(3) Grounds for disapproval. (am) The commissioner shall approve the plan if the commissioner finds, after a hearing, unless a hearing is not required under sub. (3m), that it would not violate the law or be contrary to the interests of the insureds of any participating domestic corporation or of the Wisconsin insureds of any participating nondomestic corporation and that:

1. After the change of control, the domestic stock insurance corporation or any domestic stock insurance corporation controlled by the insurance holding corporation would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;
2. The effect of the merger or other acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in this state;
3. The financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic stock insurance corporation or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders;
4. The plans or proposals which the acquiring party has to liquidate the domestic stock insurance corporation or its parent insurance holding corporation, sell its assets, merge it with any person or make any other material change in its business or corporate structure or management, are fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest; and

5. The competence and integrity of those persons who would control the operation of the domestic stock insurance corporation or its parent insurance holding corporation are such that it would be in the interest of the policyholders of the corporation and of the public to permit the merger or acquisition of control.

PROPOSED FINDINGS OF FACT

(1) American Acorn Corporation (American Acorn), American Acorn Holdings, LLC, Oaktree Opportunities Fund XII Holdings (Delaware), L.P., Oaktree Fund GP, LLC, Oaktree Fund GP I, LP, Oaktree Capital I GP, LLC, Oaktree Capital Holdings, LLC, Oaktree Capital Group Holdings, LP, Oaktree Capital Group Holdings GP, LLC, Bruce Karsh, Howard Marks, and Sheldon Stone (the Petitioners), are business entities and individuals respectively, and located at 333 S Grand Avenue, 28th Floor, Los Angeles, California 90071.

(2) Ambac Assurance Corporation, 2 E Mifflin Street, Suite 600, Madison, Wisconsin 53703, is a Wisconsin domestic stock insurance corporation.

(3) The petitioners filed with OCI an application for approval of the acquisition of Ambac Assurance Corporation.

(4) The petitioners fulfilled the filing requirements of Wis. Admin. Code § Ins 40.02.

(5) The plan will not violate the law or be contrary to the interests of the insureds of Ambac Assurance Corporation.

(6) After the acquisition of control, the domestic insurer will be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed.

(7) The effect of the acquisition of control will not be to create a monopoly or substantially to lessen competition in any type or line of insurance in Wisconsin.

(8) The financial condition of the petitioners is not likely to jeopardize the financial stability of the domestic insurer, or to prejudice the interests of its Wisconsin policyholders.

(9) There are no plans or proposals to liquidate the domestic insurer, to sell its assets (other than investment portfolio transactions in the ordinary course of business), or to consolidate or merge it with any person or make any other material change in its business or corporate structure other than as described in the plan.

(10) The competence and integrity of the persons who will control the operation of the domestic insurer, are such that it will be in the interest of the policyholders and the public to permit the acquisition of control.

DISCUSSION

The domestic insurer is a Wisconsin-domiciled insurer authorized to transact surety and financial guaranty insurance. The company has operated as a financial guaranty insurer, and its principal business was the guaranty of timely payment of principal and periodic interest when due on credit obligations. It has not written any new business since early 2008.

Pursuant to a stock purchase agreement between Ambac Financial Group, Inc. (AFG), the domestic insurer's direct parent company, and American Acorn, all issued and outstanding shares of the domestic insurer will be sold to American Acorn for \$420,000,000, subject to adjustment as described in the purchase agreement. At the same time, AFG will issue to American Acorn a warrant for a number of shares of common stock, par value \$0.01, representing 9.9% of the fully diluted shares of AFG common stock as of March 31, 2024.

As described by the petitioners in the Form A filing, and due to the unique nature of the domestic insurer, there are no plans to significantly change the operations of the domestic insurer. The petitioners intend that the existing affiliate agreements will be terminated as of the closing date and that new affiliate agreements will be entered. Senior executives who manage day-to-day operations will remain largely the same, with the addition of new directs from Oaktree.

After the change of control, the domestic insurer will continue to meet the requirements for the issuance of a license for its existing lines of authority and the transaction will not create a monopoly or substantially lessen competition in insurance in this state. Wis. Stat. §§ 611.72(3)(am)1 and 2.

The financial statements reviewed by OCI are confidential pursuant to Wis. Admin. Code § Ins 40.05. Also see Wis. Stat. § 601.465. After a review of those confidential materials and analysis by OCI, the financial condition of the acquiring party is not likely to jeopardize the financial stability of the domestic insurer or prejudice the interests of Wisconsin policyholders. Wis. Stat. § 611.72(3)(am)3.

The petitioners have no plans to declare an extraordinary dividend, liquidate the domestic insurer, sell the domestic insurer's assets (other than investment portfolio transactions in the ordinary course of business), or merge it with any person or to make any other material changes in the domestic insurer's business operations, corporate structure, or management. The acquiring party's plans with respect to the insurer's business and structure are fair and reasonable to policyholders and consistent with the public interest. Wis. Stat. § 611.72(3)(am)4.

As reflected in the hearing exhibits, OCI has conducted a thorough examination of the background of the applicants. The competence and integrity of the proposed control persons are such that approval is in the interest of policyholders and the public. Wis. Stat. § 611.72(3)(am)5.

PROPOSED CONCLUSION OF LAW

The proposed findings of fact set forth above establish that the requirements of Wis. Stat. § 611.72 and chs. 227 and 617 and Wis. Admin. Code ch. Ins 40, have been satisfied and approval of the plan should be granted.

PROPOSED ORDER

NOW, THEREFORE, based upon the findings of fact and conclusion of law, I hereby recommend that:

The petitioners' request for approval of the plan for acquisition of control should be approved.

9/5/2025 | 1:47 PM CDT

Date

Signed by:

Rebecca Easland

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Rebecca Easland
Hearing Examiner