

**STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE**

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

OCI Case No. 25-C46550

Petitioner.

**MOTION BY THE AD HOC GROUP OF NOTEHOLDERS OF SURPLUS NOTES
ISSUED BY AMBAC ASSURANCE CORPORATION TO BE ADMITTED AS A PARTY**

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, as members of the Ad Hoc Group of AAC Surplus Noteholders (collectively, the “Ad Hoc Group”), by its undersigned counsel, hereby moves, pursuant to Wis. Stat. § 227.44(2m), to be admitted as a party to this contested case proceeding and, in support of this motion, states as follows:

1. The Ad Hoc Group consists of investment managers acting on behalf of their respective funds and accounts that hold or beneficially own over 54% of the Surplus Notes (the “Surplus Notes”) issued by Ambac Assurance Corporation (“AAC”). In 2010, AAC worked with the OCI to establish a segregated account, which then became the subject of a rehabilitation proceeding. As part of the plan of rehabilitation for the segregated account, AAC settled certain financial guaranty insurance policy claims by issuing Surplus Notes to unpaid policyholders. Through these settlements, the policyholders contributed to the successful restructuring of AAC, which concluded in 2018, by accepting Surplus Notes and a policy claim reduction in lieu of the cash payments that they were otherwise promised.

2. The Surplus Notes, which matured in June 2020, remain unpaid due to AAC’s financial condition. More than \$1 billion is currently owed under these notes, including accrued and unpaid interest.

3. The issues to be considered in this matter are the proposed plan for the acquisition of control of AAC by American Acorn Corporation (“Acorn”), an affiliate of Oaktree Capital Management, L.P. (“Oaktree,” and together with Acorn, the “Hedge Fund Acquirer”), and whether the proposed plan for acquisition complies with Wis. Stat. § 611.72, is lawful, protects policyholders, and is consistent with the public interest.

4. The proposed transaction between Ambac Financial Group, Inc. (“Holdco”), and the Hedge Fund Acquirer will cause serious harm to the Ad Hoc Group. The proposed transaction contemplates a large cash payment to Holdco, at the cost of a valuable corporate opportunity that could have been monetized for the benefit of AAC. This transaction effectively subordinates the interests of the Ad Hoc Group to the interests of Holdco, which is using its control of AAC for its own benefit.

5. “Any person whose substantial interest may be affected by the decision following the hearing shall, upon the person’s request, be admitted as a party.” Wis. Stat. § 227.44(2m). The Ad Hoc Group easily satisfies this provision as its members have a substantial interest that may be affected by the decision in this matter. Indeed, the Ad Hoc Group also satisfies the stricter standing requirements for review of an administrative decision: (1) that the agency’s decision will directly cause injury to the interest of the petitioner, and (2) that this interest is recognized by law. *Fox v. Wis. Dept. of Health & Soc. Servs.*, 112 Wis. 2d 514, 524 (1983).

6. The Ad Hoc Group satisfies both requirements set forth in *Fox*. First, approval of the AAC acquisition would directly impair the Ad Hoc Group’s legal and financial interests. That is because the structure of the proposed transaction ensures that the value being paid by the buyer is paid exclusively to Holdco, and not to AAC. This ensures that none of the more than \$400 million being paid by the buyer benefits any of AAC’s creditors (including the Ad Hoc Group). To make matters worse, the structure of the acquisition will also cause AAC to lose valuable tax assets, as AAC will no longer be able to utilize Holdco’s \$1.3 billion of net operating losses and it may even lose its ability to use its own net operating losses to offset future tax obligations. Second, the Ad Hoc Group’s interest in enforcing its contractual rights are clearly recognized under Wisconsin law.

7. No current party adequately represents the Ad Hoc Group’s interests. Holdco and AAC are governed by the same conflicted board of directors, which is incentivized to favor Holdco over AAC and its stockholders. There is no independent fiduciary acting on behalf of AAC’s creditors.

8. Without intervention by the Ad Hoc Group, the hearing record will lack any input from a party that has interests aligned with those of AAC. This input is critical in order to allow

for a proper evaluation of whether the proposed transaction satisfies the public interest standard and financial integrity safeguards required under Wis. Stat. § 611.72.

WHEREFORE, the Ad Hoc Group respectfully requests an order under to Wis. Stat. § 227.44(2m) admitting it as a party to this contested case proceeding.

Date: July 25, 2025

HUSCH BLACKWELL LLP

By:

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