

OFFICE OF THE COMMISSIONER OF INSURANCE (OCI)

STATE OF WISCONSIN

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

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:



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Rebecca Easland
Hearing Examiner