

**Form A**  
**Statement Regarding the Acquisition of Control of**  
**or Merger with a Domestic Insurer**

Filed with the Office of the Commissioner of Insurance,  
State of Wisconsin

EVERSPAN INSURANCE COMPANY

by

AMBAC FINANCIAL GROUP, INC.

Filed with the insurance department of Wisconsin.

Date: February 3, 2020

Name, title, address and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

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*With a copy to:*

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ITEM 1. INSURER AND METHOD OF ACQUISITION

*State the name and address of the domestic insurer to which this application relates and briefly describe how control is to be acquired.*

The name and address of the domestic insurer to which this application relates is:

Everspan Insurance Company ("Everspan")  
One World Trade Center, 41st Floor  
New York, NY 10007

Ambac Financial Group, Inc. ("AFG") is currently the ultimate controlling person of both Everspan and Ambac Assurance Corporation ("AAC"), which are Wisconsin-domiciled insurers: AFG directly owns all of the shares of AAC common stock, and AAC directly owns all of the shares of Everspan stock. After a distribution by Everspan described below, AFG proposes to acquire direct ownership of Everspan pursuant to a Stock Purchase Agreement by and between AFG and AAC (the "Stock Purchase Agreement"). A copy of the Stock Purchase Agreement, in final form other than revisions to the purchase price to reflect valuation of Everspan's investment securities, is attached hereto as Exhibit 1.

Subject to the terms and conditions of the Stock Purchase Agreement, at the closing of the transaction contemplated thereunder (the "Closing"), AAC will sell, transfer, and assign to AFG all of the issued and outstanding shares of Everspan stock (the "Proposed Acquisition"). AFG will continue to be the ultimate controlling person of Everspan after the Closing. Certified copies of the resolutions adopted by the boards of directors of AFG and AAC approving the Proposed Acquisition are attached hereto as Exhibit 2 and Exhibit 3, respectively.

Repositioning Everspan as a subsidiary of AFG is intended to address issues with implementation of Everspan's Business Plan (as defined below) and make it more likely that Everspan will be able to write new direct business. In that regard, execution of the Business Plan has been complicated, in part, by perceptions about the impact of AAC's ownership and control over Everspan, including comments and concerns about that relationship which were received by Everspan from the U.S. Treasury Department in response to its application for certification to write surety bonds that are required by federal agencies (a "T-listing"). Additionally, based on conversations that AFG has had with A.M. Best, it appears that any business-writing entity affiliated with AFG would be better situated outside of AAC control in order to receive a favorable rating. Everspan expects to seek a rating from A.M. Best at an appropriate time. Therefore, AFG believes it is in the best interests of Everspan to be repositioned as a subsidiary of AFG.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) *State the name and address of the applicant seeking to acquire control over the insurer.*

Ambac Financial Group, Inc.  
One World Trade Center, 41st Floor  
New York, NY 10007

(b) *If the applicant is not an individual, state the nature of its business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.*

AFG is a holding company whose subsidiaries, including its principal operating subsidiary, AAC, Everspan, and Ambac Assurance UK Limited, provide financial guarantees to clients in both the public and private sectors globally. AAC is a guarantor of public finance and structured finance obligations. AFG is also exploring opportunities involving the acquisition and/or development of new businesses.

(c) *Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g., corporation, trust, partnership) and the state of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.*

A current organizational chart presenting the identities of the interrelationships among AFG and its affiliates, including the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person, is attached as Exhibit 4. An organizational chart presenting the identities of the interrelationships among AFG and its affiliates after the Proposed Acquisition, including the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person, is attached as Exhibit 5. No court proceedings involving a reorganization or liquidation are pending with respect to AFG or any of its affiliates.

### ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

*On the biographical affidavit, include a third party background check and state the following with respect to (1) the applicant if the applicant is an individual or (2) all persons who are directors, executive officers or owners of 10% or more of the voting securities of the applicant if the applicant is not an individual.*

(a) *Name and business address;*

(b) *Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;*

(c) *Material occupations, positions, offices or employment during the last 5 years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or*

*employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection with the license or registration whether pending or concluded.*

(d) *Whether or not such person has ever been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the last 10 years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.*

The directors and executive officers of AFG are set forth in Exhibit 6. AFG incorporates by reference biographical affidavits previously filed for these individuals pursuant to Wis. Admin. Code § Ins 40.12(1). No person listed in Exhibit 6 has ever been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the last 10 years.

According to the Schedule 13G filed by on January 10, 2019, BlackRock Inc. (“Blackrock”) beneficially owned 13.7%, or 6,190,576 shares, of AFG’s common stock. BlackRock reported sole voting power with respect to 6,106,878 shares and sole dispositive power with respect to 6,190,576 shares. The address of BlackRock is 55 East 52nd Street, New York, New York 10055. On November 26, 2018, Blackrock filed with the Office of the Commissioner of Insurance (“OCI”) a Disclaimer of Affiliation with respect to AFG and its affiliates, including AAC and Everspan, and on December 11, 2018, OCI notified Blackrock that it would not contest Blackrock’s disclaimer of affiliation and control at such time.

According to the Schedule 13G/A filed on February 13, 2019, The Vanguard Group (“Vanguard”) beneficially owned 10.3%, or 4,654,819 shares, of AFG’s common stock. Vanguard reported sole voting power with respect to 48,292 shares, shared voting power with respect to 9,200 shares, sole dispositive power with respect to 4,602,761 shares, and shared dispositive power with respect to 52,058 shares. The address of Vanguard is 100 Vanguard Blvd., Malvern, Pennsylvania 19355. On December 13, 2018, Vanguard filed with OCI a Disclaimer of Affiliation with respect to AFG and its affiliates, including AAC and Everspan, and on December 14, 2018, OCI notified Vanguard that it would not contest Vanguard’s disclaimer of affiliation and control at such time.

#### ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) *Describe the nature, source and amount of funds or other considerations used, or to be used, in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.*

The aggregate price to be paid by AFG to AAC for the Everspan stock will be determined at Closing based on the valuation of investment securities owned by Everspan, and will be approximately \$13,828,000 (the “Purchase Price”), which equals the estimated statutory surplus

of Everspan on the date of acquisition (which will be not less than \$10,500,000) plus \$3,328,000 for its 52 licenses in U.S. jurisdictions (including two licenses restricted to servicing existing business and one surplus lines license). The Purchase Price will be paid in cash by AFG to AAC at the Closing. The source of the consideration will be cash available to AFG. No part of the consideration will be borrowed funds.

(b) *Explain the criteria used in determining the nature and amount of such consideration.*

The exact amount of the consideration to be paid by AFG to AAC for the Everspan stock will be equal to Everspan's estimated statutory surplus as of the date of the acquisition plus \$64,000 per license of Everspan. The statutory surplus will be valued as of the date of the acquisition based on the market values of the securities owned by Everspan following the distribution by Everspan to AAC described in Everspan's report, of even date with this Form A, to OCI of an extraordinary distribution. The average value per license was determined after market research by AFG, including discussions with participants in the insurance company market. Such amount takes into account the limited lines of business currently authorized under the licenses and the restrictions on three of the licenses (two licenses restricted to servicing existing business and one surplus lines license).

In valuing the licenses, AFG received feedback from five firms, including financial advisers involved with insurance company mergers and acquisitions and insurance advisory firms. Each firm provided a valuation range, but indicated that they were not familiar with any recent transactions involving the sale of companies with licenses similar to those of Everspan. The overarching consensus was that Everspan's existing licenses were of limited utility given the nature of the licenses and the decline of the financial guaranty industry. In addition to the market feedback, AFG separately conducted research to determine whether there was any publicly available information on license valuation related to the acquisitions of Municipal and Infrastructure Assurance Corp. ("MIAC"), Radian Asset Assurance Inc. ("Radian"), and CIFG Assurance North America, Inc. ("CIFG"). Of the firms described, only Radian provided public information on the value ascribed to the acquired company's licenses (\$190,000 per license for MIAC), however, Radian's acquisition of MIAC occurred in 2011 and likely was tied to expectations of writing new financial guaranty business. AFG was unable to find any disclosure concerning the purchase price Assured Guaranty paid for the licenses of Radian and CIFG.

Additionally, AFG identified a transaction in which Boston Omaha ("BO") bought United Casualty and Surety ("UCS"), in 2016. BO disclosed in 2017 that it valued the twelve licenses owned by UCS at \$767,100, or slightly less than \$64,000 each. AFG is aware that there have been other purchases of surety companies, but most appear to have been consolidated into much larger organizations (like Liberty Mutual) with existing licenses or larger institutions that do not publish U.S. GAAP financials (like Sompo). Therefore, AFG has not been able to find disclosures indicating how the licenses of the acquired companies were valued, in part because these acquisitions do not appear to be material for the acquirers.

AFG further took into consideration the fact that it has not received any recent inquiries about acquiring Everspan and its licenses, an indication that the market may not subscribe much value to it, and that the financial guaranty business, which Everspan's licenses permit it to conduct, has significantly diminished in scope and desirability.

Based on the foregoing, the nature and amount of the consideration were determined by AFG and AAC to be reasonable and fair to the interests of AAC as required by Wis. Stat. § 617.21(1).

ITEM 5. APPLICANT'S FUTURE PLANS FOR THE INSURER

*Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate the insurer, to sell the insurer's assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.*

Everspan's current business plan, as filed with OCI on December 7, 2018 and non-disapproved by OCI on December 14, 2018 (the "Business Plan"), and incorporated herein by reference pursuant to Wis. Admin. Code § Ins 40.12(1), has been delayed in implementation. In order to commence implementing the Business Plan, AFG anticipates that Everspan would make an initial foray into the surety market in the first quarter of 2020, with a goal of writing enough surety business to enhance an application to the U.S. Treasury Department to obtain a T-listing, to be filed as soon as possible and preferably no later than the second quarter of 2020. As discussed previously, the Proposed Acquisition would provide the best opportunity for Everspan to write such business.

AFG anticipates that, following Closing of the Proposed Acquisition, Everspan would target writing approximately 50 surety bonds in the next six months, totaling approximately \$2,000,000 with a maximum individual surety bond limit not to exceed \$250,000 per bond, to facilitate a new filing for a T-listing by the U.S. Treasury, in accordance with the Business Plan. Should Everspan determine to expand or otherwise amend its current Business Plan, any proposed changes will be filed with OCI and will address the specifics of additional plans or proposals at that time. Three year financial projections for Everspan are attached hereto as confidential Exhibit 7.

Everspan and AAC also propose to terminate the Master Facultative Reinsurance Agreement and Reinsurance Memorandum No. 1 (together, the "Reinsurance Agreement"), each dated December 17, 2018, pursuant to which AAC ceded, and Everspan reinsured, certain losses incurred, if any, by AAC with respect to certain surety bonds. The termination will be on a cut-off basis effective at or before Closing pursuant to paragraph B of Article III of the Reinsurance Agreement, under which the parties have the right to terminate the Reinsurance Agreement by mutual written consent, at any time, on a cut-off or run-off basis.

AFG has no plans or proposals to liquidate Everspan, to sell Everspan's assets to or merge it with any person or persons, or to make any other material change in its business operations or corporate structure or management except as described in this Form A.

In connection with the Proposed Acquisition, Everspan has filed a report of an extraordinary distribution of even date with this Form A, which is incorporated herein by reference pursuant to Wis. Admin. Code § Ins 40.12(1).

Finally, based on conversations that AFG has had with A.M. Best, it appears any business-writing entity affiliated with AFG would be better domiciled in a state different from that of AAC in order to receive a favorable rating. Therefore, AFG is considering the possibility of redomesticating Everspan to Arizona.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

*State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire; and the terms of the offer, request, invitation, agreement or acquisition; and a statement as to the method by which the fairness of the proposal was arrived at.*

Upon the Closing of the Proposed Acquisition, AFG will acquire all issued and outstanding shares of Everspan stock, par value \$250 per share, at such date. AFG and AAC estimate that 5,579 shares will be acquired, but the exact number of shares will be determined following the extraordinary distribution described in Everspan's report of an extraordinary distribution of even date with this Form A. As discussed in Item 4(b), AFG and AAC determined that the proposal is reasonable and fair to the interests of AAC, as required by Wis. Stat. § 617.21(1), based on AFG market research on insurance company shells.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

*State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.*

Other than as set forth in this Form A, neither AFG, nor any of its affiliates, nor any person listed in Item 3 beneficially owns any voting securities of Everspan or has the right to acquire beneficial ownership of any voting securities of Everspan.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

*Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom the contracts, arrangements or understandings have been entered into.*

None other than as set forth in this Form A.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

*Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any shares so purchased are hypothecated.*

None.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

*Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.*

None.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

*Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.*

None.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

*(a) Pursuant to s. 601.42, Stat., financial statements, exhibits, and three-year financial projections of the insurer(s) shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.*

- |           |   |
|-----------|---|
| Exhibit 1 | Final draft Stock Purchase Agreement by and between AFG and AAC   |
| Exhibit 2 | Certified copy of the resolutions adopted by the board of directors of AFG approving the Proposed Acquisition |
| Exhibit 3 | Certified copy of the resolutions adopted by the board of directors of AAC approving the Proposed Acquisition |
| Exhibit 4 | Organizational chart prior to the Proposed Acquisition  |
| Exhibit 5 | Organizational chart after the Proposed Acquisition   |
| Exhibit 6 | AFG directors and executive officers  |
| Exhibit 7 | Confidential three year financial projections for Everspan  |

*(b) The financial statements shall include the annual financial statements of the persons identified in Item 2(c) for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if the information is available. The statements may be prepared either on an individual basis or,*



*unless the commissioner otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business.*

*The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the person's last fiscal year, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the annual statement of the person filed with the insurance department of the person's state of domicile and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.*

AFG financial statements are available at [ambac.com](http://ambac.com) and [sec.gov](http://sec.gov), and are incorporated herein by reference pursuant to Wis. Admin. Code § Ins 40.12(1).

(c) *File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contracts concerning the insurer, annual reports to the stockholders of the insurer and the applicant for the last 2 fiscal years, and any additional documents or papers required by form A or ss. Ins 40.11 and 40.13, Wis. Adm. Code.*

None other than the existing management, cost-sharing, and other agreements relating to Everspan, which AFG incorporates herein by reference pursuant to Wis. Admin. Code § Ins 40.12(1). AFG notes that because employees of AAC provide services to affiliates owned directly and indirectly by AFG under such existing agreements, AFG believes that an additional benefit of the Proposed Acquisition is that, to the extent Everspan is successful in implementing its Business Plan, some of such employees will have opportunities to contribute to Everspan's success thereby potentially increasing employee retention.

As grounds for approval of the plan for acquisition of control described in this statement, AFG states that the plan would not violate the law or be contrary to the interests of the insureds of Everspan or any participating domestic insurer or of the Wisconsin insureds of any participating nondomestic insurer and that:

(i) After the change of control, Everspan and any domestic stock insurance corporation controlled by AFG 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;

(ii) The effect of the acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in Wisconsin;

(iii) The financial condition of AFG is not likely to jeopardize the financial stability of Everspan or prejudice the interests of its Wisconsin policyholders;

(iv) AFG has no plans or proposals to liquidate Everspan, sell its assets, or merge it with any person or make any other material change in its business or corporate structure or management except as described in this Form A; and

(v) The competence and integrity of those persons who would control the operation of Everspan are such that it would be in the interest of the policyholders of Everspan and of the public to permit the acquisition of control.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

*Applicant agrees to provide, to the best of its knowledge and belief, the information required by form F within fifteen (15) days after the end of the month in which acquisition of control occurs.*

Unless waived by OCI, AFG agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which acquisition of control occurs and annually thereafter for so long as control exists. AFG acknowledges that it and all subsidiaries within its control in the insurance holding company system will provide information to OCI upon request as necessary to evaluate enterprise risk to Everspan.

*[Signature and Certification follows]*

ITEM 14. SIGNATURE AND CERTIFICATION

Signature and certification as follows:

SIGNATURE

Pursuant to the requirements of Wis. Admin. Code ch. Ins 40, Ambac Financial Group, Inc. has caused this application to be duly signed on its behalf in the city of New York and state of New York on the 3rd day of February, 2020.

Ambac Financial Group, Inc.

By: [Signature]

Name: STEPHEN M. KSENAK

Title: SENIOR MANAGING DIRECTOR + GENERAL COUNSEL

Attest: [Signature]  
Name: Yolanda Ortiz  
Title: Vice President and Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated February 3, 2020, for and on behalf of Ambac Financial Group, Inc., that deponent is the Senior Managing Director and General Counsel of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.

[Signature]  
Name: STEPHEN M. KSENAK

Subscribed and sworn to this 3rd day of February, 2020.

[Signature]  
Notary public

My commission expires on: 12 16 2023

