

An Update on Our Investment in Ambac

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Ambac shares appreciated by 7.9% in 2018. The company reached two significant milestones in its restructuring by removing the segregated account from habilitation in January and exchanging its outstanding auction-market preferred shares for surplus notes in August. The situation in Puerto Rico also improved as the economy stabilized to a degree and an agreement was reached on Ambac's sales-tax bond position.

The ongoing litigation with Countrywide/Bank of America remains a major unknown. In early January 2019 the judge in the case ruled in favor of Ambac on all six motions up for consideration. A trial date has been set for February 25, 2019, but it may get postponed due to appeals and settlement talks. A reassignment of the case to a new judge could impact the timing as well. If a settlement is not reached or a trial is not conducted during 2019 something has gone unexpectedly wrong.